

### Social and legal aspects of the development of civil society institutions. Part I

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**Institute of European Integration  
(Warsaw, Poland)**



**Instytut Integracji Europejskiej  
(Warszawa, Polska)**

# **SOCIAL AND LEGAL ASPECTS OF THE DEVELOPMENT OF CIVIL SOCIETY INSTITUTIONS**

Collective monograph

Part I

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*This collective monograph offers the description and analysis of the formation and development of civil society institutions at various levels of government in the field of politics, economics, education and culture. The authors of individual chapters have chosen such point of view for the topic which they considered as the most important and specific for their field of study. Theoretical and applied problems and the existing legal base of practical activities of civil society institutions in the context of growing interdependence of economic, cultural, demographic, political, environmental processes are investigated. The prospects for the further development of civil society and its institutions, their relations with the state, as well as the promotion of the participation of civil society organizations in socio-economic development.*

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## **COMPLEX OF SYSTEM-DYNAMIC SIMULATION MODELS OF MANAGEMENT AND CONTROL OF STOCKS OF PHARMACEUTICAL PRODUCTS**

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***Abstract.** The structure of the complex system-dynamic models of inventory management of pharmaceutical products is the proposed in this paper. Models are based on the synthesis of methods for analyzing inventory management systems and system of dynamics methodologies. Models allow us to solve current problems of inventory management, taking into account the stochastic processes that are inherent in business processes of the functioning of inventory management systems. Reflection of random processes generated by demand in the system-dynamic model of pharmaceuticals inventory management allows to realize the principles of market approaches to management. This contributes to the improvement of the assortment and communication policy of the pharmaceutical enterprise and the creation of a basis for increasing its competitiveness. The structure of the complex of system-dynamic models of management and control of pharmaceutical products is a holistic, multifunctional accounting and analytical system of management of a pharmaceutical company.*

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### **Introduction.**

Irrerspective of the area of operation of a business entity, its effectiveness is determined by the level of consistency of goals, objectives, means of converting raw materials into products and services, the structure of functional units and personnel, whose membership depends on the features of a particular operating model that are developed and implemented in the enterprise. The absence of contradictions between these variables of the internal environment of the enterprise allows not only to achieve a positive result of economic activity, but also to ensure the timeliness of the transformation of a certain management of the operating model in the conditions of economic instability. This is particularly true of the pharmaceutical industry as one that is currently not only one of the most dynamic, but also promising and cost-effective, and as a result represents an important segment of the national market of any state. At the present stage of development of the pharmaceutical market of Ukraine, the need for constant initiation of ensuring the efficiency of managing dynamic stocks of pharmaceutical products is becoming increasingly important due to the need to achieve a balance between the decisions on minimizing storage costs by pharmaceutical enterprises and the optimal dynamics of replenishing pharmaceutical stocks while solving the problem of meeting the demand for pharmaceuticals products.

In other words, the management of stocks of pharmaceutical products includes ensuring the demand of the population and health care institutions in pharmaceutical products and preventive actions from excessive marketable mass, which leads to overstocking, exclusion from circulation of financial resources, slowing down their turnover and increasing costs for ensuring the maintenance and storage of pharmaceutical goods.

Performing functions of optimizing stocks of pharmaceutical products contributes to the release of a significant portion of operating cash, reducing the risk of a shortage of pharmaceutical products, and increasing the level of satisfaction of the population's demand. All this leads to an improvement in the quality indicators of customer service, an increase in the efficiency of turnover, cost-effectiveness and image of a pharmaceutical company. That's why, it is necessary to use special methods and models to optimize the level of dynamic stocks of pharmaceutical products, in particular, system-dynamic simulation models of managing pharmaceutical stocks, which take into account random processes generated by demand.

System-dynamic models allow to get information describing the trajectory of development of the system, its behavior in equilibrium states and features of the transition from one state to another when varying the values of parameters or model variables.

The usage of a system-dynamic approach to manage dynamic stocks of pharmaceutical products allows you to combine elements of the information-logical structure of the inventory management system to provide a quantitative basis for the formation of an effective management strategy and a long time interval and is a precondition for making sound management decisions.

### **1. Computer tools for building and analyzing of system-dynamic models.**

Using the methodology of system dynamics in modern practice of decision making under uncertainty is one of the most common and effective approaches to the analysis of complex systems, which are characterized by heterogeneity of elements and connections and a variety of structure. The methodology of system dynamics was first proposed by the American engineer J. Forrester, as an approach to modeling and simulating behavioral aspects in the operation of complex systems, taking into account the time factor [7]. This approach involves statistical modeling of the behavior of probabilistic systems using traditional mathematical methods. As far as the system dynamics uses the tools of object-oriented programming, the analysis of the structural scheme of the system can be carried out by a decision maker without experience in higher mathematics and programming.

So, the formalization of the task of managing dynamic stocks of pharmaceutical products and controlling certain processes in terms of system dynamics has practical significance. According to the system of dynamics methodology, economic, behavioral, structural, and balance relations, which describe the processes of managing dynamic stocks of pharmaceutical products, are formalized by a simulation model using the following structural elements:

- Level - a drive that accumulates changes in the flows of all subsystems of the warehouse system by taking into account incoming and outgoing values in integrating links, and describes its state at any time  $t$ .
- Pace - a flow that changes the values of the levels of the warehouse system by implementing the movement of material and financial resources between the corresponding model variables and is controlled by one or several system levels.
- The function of decisions - mathematical relationships that determine the intensity of the pace in the inventory management system and characterize the functional dependencies between the auxiliary quantities and parameters, describing the business processes of inventory management of pharmaceutical products.
- Auxiliary variable - variable system-dynamic model of inventory management of pharmaceutical products, is used to determine the characteristics of the inventory management system.
- Parameter - value that remains its value over a period of time and is used in determining the auxiliary variables, rates and levels of the system-dynamic model of inventory management of pharmaceutical products.

The procedure for constructing a system-dynamic models of pharmaceutical products inventory management and control of these processes includes the following steps [7]:

1. Statement of the problems of managing of dynamic stocks of pharmaceutical products and formulating the corresponding research goal.
2. Filtering and distribution of current information in accordance with the peculiarities of the functioning of a pharmaceutical enterprise.
3. Formation of a conceptual model for managing dynamic stocks of pharmaceutical products.
4. Building a computer model for managing of dynamic stocks of pharmaceutical products using visual simulation tools.
5. Planning of simulation experiments (strategic planning) and determining the method of conducting a series of tests (tactical planning), which is provided for in the plan of research of the behavior of a pharmaceutical enterprise as a dynamic inventory management system.
6. Imitation of the behavior of the model of management of dynamic stocks of pharmaceutical products, which was built during the implementation of the previous stages, and testing its resistance to the effects of random factors with the subsequent processing of the research results.
7. Based on the simulation experiments that have been carried out and the analysis of their results in providing recommendations for improving the structure of the simulation model for managing dynamic stocks of pharmaceutical products.

Among the mentioned above stages of building system-dynamic models for managing dynamic stocks of pharmaceutical products, one of the most important and, at the

same time, the most difficult is the stage of determining qualitative dependencies between the best effect criteria, constraints and many parameters and variables that characterize the activities of a pharmaceutical company as a warehouse system. The result of this process is the formation of the structure of the conceptual model, which is the “ideological” basis of the computer simulator model.

The conceptual model is a sign oriented graph [8]. The display of dynamic hypotheses regarding the interaction of elements of a complex system should be carried out according to the following rules, determining the nature of the relationship between the parameters and variables of the system-dynamic model:

- the nature of the influence between the variables of the conceptual model is positive (negative) in the case when other things being equal, an increase (decrease) in the variable causes an increase (decrease) in the variable B;
- a feedback loop is formed between the variables of the conceptual model, if from variable A to variable B you can explore a closed chain of interconnections (regardless of the number of variables included in the loop) ;
- feedback circuits have a sign, the definition of which depends on the nature of the relationship between all the conceptual model variables included in the contour;
- feedback loop is positive if a change in any variable that forms it stimulates a change in other variables along a given path in the original direction;
- feedback loop is negative if a change in any variable that forms it stimulates a change in other variables in a given loop against the initial perturbation.

The presence in the structure of the conceptual model of a positive feedback loop, as a rule, leads to imbalance of the system, and a negative feedback loop contributes to maintaining a stable state of the system regardless of external influences. That means that using the concept of feedback loops in order to build a conceptual model of pharmaceutical inventory management will allow to combine initial actions on their results, which, in turn, will contribute to changing the characteristics of the operating conditions of a pharmaceutical company and, therefore, is a lot of information that can further contribute to the change of the elements of the model.

It is proposed to implement the realization of a set of simulation models, in particular, a system-dynamic model for managing stocks of pharmaceutical products and a system-dynamic model for controlling stock management processes for pharmaceutical products through the use of a visual diagram-oriented language for simulation Powersim.

The Powersim application package is nowadays most widely used by economists and analysts in various areas of activity in solving problems of determining the structure of complex dynamic systems and making assumptions about the trajectories of their behavior both in real time and in the long term [3, 4] .

First of all it is due to the fact that the Powersim software tool is a powerful tool for building and analyzing system-dynamic models, which makes it possible to implement

various scenarios of simulation experiments and in an accessible form to demonstrate the simulation results to the decision maker in order to develop the most effective management decisions.

The Powersim application software package interface provides for designing diagrams describing the business processes of a complex system in terms of the system dynamics methodology of J. Forrester, which makes visual programming simple and convenient from the point of view of the available structural elements.

The list of commands and the syntax of the built-in functions of the Powersim application package depend on the chosen layout according to the professional skills and personal wishes of the user, namely: demo, standard or professional versions of the software product [4].

As the benefits of using the Powersim structural modeling package for the practical implementation of the system-dynamic model of managing pharmaceutical goods stocks, the following features can be noted [4, 6, 9]:

- the construction of a simulation model in the Powersim simulation environment is carried out by using a special diagram editor, whose graphical objects are used to describe the variables and relations between them, are intuitively understandable to the user, and the means of interpreting the simulation results are generally accepted for solving problems of studying the behavior of complex dynamic systems;
- the structural organization of the Powersim application package allows you to describe individual business processes for managing a pharmaceutical enterprise by building appropriate problem-oriented submodels that are connected to the main model of the marketing-oriented management system, but at the same time can be duplicated and implemented in the activities of individual departments of the same type to optimize their activities;
- the functionality of the Powersim structural modeling package allows not only to investigate the origin of the development of the inventory management system and business process control systems of marketing-oriented management at a certain time interval, but also to exchange information with other business applications using the Dynamic Data Exchange and Objects Links Embedding mechanisms, which are used by the pharmaceutical company in their daily activities;
- the planning period of simulation experiments in the Powersim simulation environment can be adjusted depending on the wishes of the user and characterize the operational, tactical and strategic management levels, which contributes to the effectiveness of the risk management system by improving communication between the heads of key departments of the pharmaceutical company and, therefore, improving the impact methods on the risks of the organization;
- the usage of the Powersim application software package does not require the user to train in the field of mathematical programming and modeling, due to the peculiarities of the

technique of building simulation models in this software environment, the list of embedded mathematical, analytical, statistical, financial and logical functions, and, as a result, the possibility of implementing a large number of numerical methods of mathematics;

- the computational power of the Powersim application software package allows you to implement various development scenarios for a specific list of possible risk situations in a pharmaceutical company and carry out such computational experiments that require established control points that are necessary for the current adjustment of multiple management influences by managers at any level of the management hierarchy;
- the technical characteristics of the Powersim simulation environment tools allow to minimize the time spent on analyzing and planning the activities of a pharmaceutical enterprise by optimizing the procedures for evaluating the effectiveness of key business processes of marketing-oriented management when conditions change in the external and internal environments of the organization.

Thus, taking into account the mentioned above, it can be concluded that Powersim structural modeling package is the most appropriate software for implementing a system-dynamic model of managing pharmaceutical stocks and a system-dynamic model of controlling business processes of marketing-oriented management of a pharmaceutical enterprise among other technical development environments, simulation models, among which are Simulink, GPSS, Arena, AnyLogic, etc. [4].

## **2. The system-dynamic model of inventory management of pharmaceutical goods.**

As an effectiveness criterion, reflecting the performance of the process of managing the sale of pharmaceutical products, is the marginal income, which is represented in the simulation model of inventory management of pharmaceutical products using the `Marginal_Revenue` level.

We will define a list of variables that will be used in the process of building the structure of a simulation model of managing pharmaceutical goods in the software for system-dynamic modeling Powersim.

The value of the `Marginal_Revenue` level changes due to cash flow in the organization, which generates positive and negative cash flows, which are reflected in the simulation model in the form of the corresponding flows with the rate `Sales_Proceeds` - billings from product sales and `Total_Costs_Adjusted` - adjusted total expenses of the pharmaceutical company.

Also flows with rates is `Insurance_supply` - Insurance Fund of the *i*-th cluster of pharmaceutical products at time *T*, `Performed_orders` - the number of orders for the purchase of the *i*-th cluster of pharmaceutical goods, rather when entering the inventory management system at time *T*, `Change_demand_on_goods` - change in demand for *i*-th cluster of pharmaceutical products for the delivery time *v1* at time *T*.



Let us introduce the notation for auxiliary variables related to the implementation of the operating activities of a pharmaceutical company and that's which are necessary to define flows with the pace Sales\_Proceeds and Total\_Costs\_Adjusted:

- Range\_of\_Goods - a variety of dynamic pharmaceutical assortment over a period of time T;
- Price\_of\_Goods - the market price for the i-th cluster of pharmaceutical products at time T;
- Volume\_of\_Goods - batch volume of the i-th cluster of pharmaceutical products at a time T ;
- Fixed\_Charges - fixed costs for placing an order for the i-th cluster of pharmaceutical products at a time T ;
- Execution\_Costs - variable costs for the execution of orders for the purchase of the i-th cluster of pharmaceutical products at a time T ;
- Purchase\_intensity - the intensity of the receipt of requirements for the purchase of the i-th cluster of pharmaceutical products at a time T .
- Purchase\_Variable\_Costs - variable costs of acquiring the i-th cluster of pharmaceutical products at a time T ;
- Maintenance\_Costs — variable costs of maintaining the i-th cluster of pharmaceutical products at the point in time T ;
- Sales\_Variable\_Costs - variable costs of implementing the i-th cluster of pharmaceutical products at a point in time T ;
- No\_Supply\_Costs - variable costs due to the lack of stocks of the i-th cluster of pharmaceutical products at the time T when the order received in the warehouse system cannot be executed;
- Current\_supply - available stock of the i-th cluster of pharmaceutical products;
- Delivery\_time - delivery time for a batch of pharmaceutical items;
- Time\_between\_orders - time between successive orders of the i-th cluster of pharmaceutical products;
- Time\_change\_expect - time of transition of the value of expected demand to real.

One of the most important aspects of computer simulation of the pharmaceutical company's inventory management process is modeling the dynamics of consumer demand for pharmaceutical products in order to automate the gradation of the safety stock of each pharmaceutical product cluster, the number of orders for their purchase and to determine the critical value of available stocks at a time T .

The concept of expected demand is one of the key concepts in managing the activities of any enterprises and organizations involved in product distribution, not only from the point of view of ensuring uninterrupted supply of goods to consumers and establishing effective long-term partnerships, but also to minimize the difference between the desired and actual stock levels in order to avoid additional expenses [5].

Considering that the time factor influences the flexibility of demand, in a simulation model of pharmaceutical goods management the demand for the  $i$ -th cluster of pharmaceutical goods during delivery  $v_i$  at time  $T$  is reasonable to determine using the appropriate level of Demand\_on\_Goods. On its part, the value of the Demand\_on\_Goods level will change due to the intensity of receipt of requirements for the purchase of the  $i$ -th cluster of pharmaceutical products at time  $T$ , that is, the process of transition of expected demand into real at a certain time interval, in the simulation model is the so-called "shock" for analysis of the behavior of the pharmaceutical company as a result of unexpected changes in operating conditions (flow with the rate Change\_Demand\_on\_Goods).

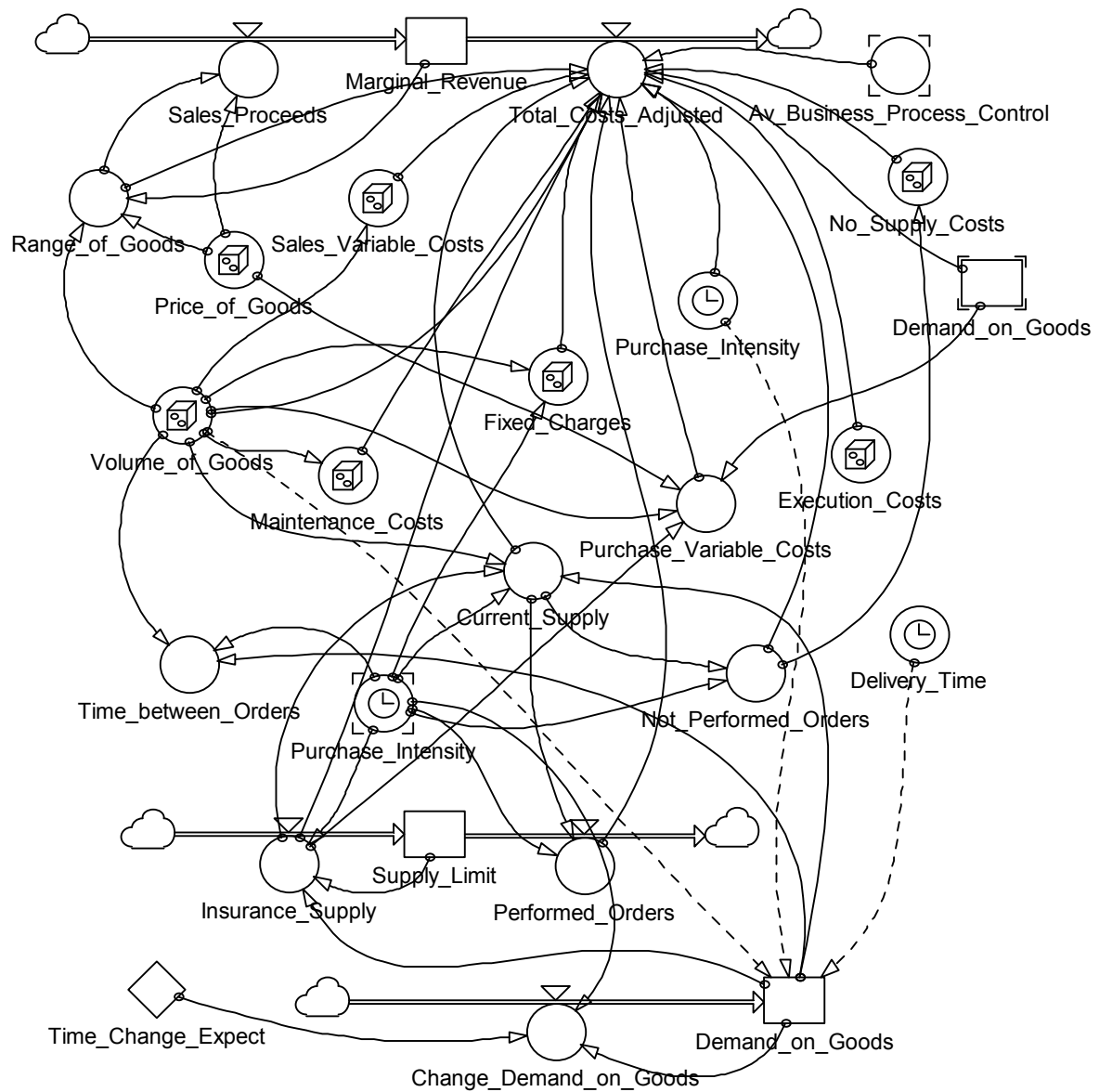
According to the general experience of the functioning of pharmaceutical enterprises of various activities, an abrupt change in the intensity of claims for the purchase of the  $i$ -th cluster of pharmaceutical products at time  $T$  is equal to 15%, which is represented in the equation of the corresponding auxiliary variable Purchase\_Intensity as an integrated function STEP.

As the dynamic pharmaceutical assortment of a production and trading enterprise has to provide an opportunity to meet the expected demand, and the level of stocks of pharmaceutical products is equal to the desired demand, the Supply\_Limit level is introduced into the simulation model, the definition of which will allow to maintain the insurance stock of the  $i$ -th cluster of pharmaceutical goods  $l$  at a certain declared by leadership non-zero level. As an initial value of the Supply\_Limit level, it is reasonable to take the initial surplus of the quantitative turnover balance sheet for the inventory of any of the pharmacies, as well as the product range, which includes prescription and non-prescription ready-made medicines, active chemical compounds and pharmaceutical substances. Systemic variables, the values of which fluctuate as a result of the impact of many destabilizing factors and should be clarified within a certain time interval, are presented in the simulation model of pharmaceuticals inventory management in the form of random variables that are distributed according to the normal law, which describes the features of various aspects of the pharmaceutical enterprise in the best way.

So, the simulation structural-dynamic model of inventory management of pharmaceutical products, which is formalized in the Powersim simulation environment, looks like it is shown in Fig.1.

As can be seen at Figure 1, one of the most important components affecting the value of the adjusted total costs of a pharmaceutical company is the sum of the average costs spent for the controlling the inventory management processes of pharmaceutical products.

The definition of this value is a key element in researching the activities of a pharmaceutical enterprise and, therefore, is a structure-forming element of the corresponding simulation model. It is the next tool for diagnosing and managing both the dynamic assortment and stocks of pharmaceutical goods and the network of wholesale or retail realization.



**Fig.1. The system-dynamic model of pharmaceuticals inventory management in the Powersim application package**

It should be noted that the *Marginal\_Revenue* level, with the help of which the marginal income of a pharmaceutical enterprise is determined, will be used as a central link in a simulation model for controlling the business processes of the marketing-oriented management of a pharmaceutical enterprise, which is due to the peculiarities of the influence of this value on the size of the organization's free money.

This also applies to such structural elements as the flow with the *Total\_Costs\_Adjusted* rate and the auxiliary variables *Performed\_Orders* and *Not\_Performed\_Orders*, which characterize, accordingly, the number of orders for the purchase of pharmaceutical products, which were or were not, which were resolved by a pharmaceutical company at a certain point of time, without which the determination of the costs of marketing-oriented management of its processes is impossible.

A certain continuity of structural elements in a complex of interrelated system-dynamic models will allow not only to achieve objectivity and accuracy in calculating indicators of economic efficiency of a pharmaceutical company, but also to maintain consistency in the flow of material and information resources, which is a prerequisite for a scientifically based, effective research of the conduct of the organization as a complex dynamic system with feedbacks [1].

### **3. The system-dynamic model of control of pharmaceuticals stockpile management processes.**

In the simulation model of controlling the processes of managing stocks of pharmaceutical products, a lot of random variables are used, which is due to the possibility of the occurrence of various pathways of operations. To program generate random variables in the Powersim structural modeling package, we used a function that corresponds to the normal distribution law and, therefore, is given by a probability density, which coincides with the Gauss function. The choice of this law of distribution of random variables is resulted from the fact that in the practice of managing any production and trade enterprises as complex economic systems, the normal distribution law is the limit to which when all other conditions being equal, all other probabilistic laws of distribution of random variables approach [2]. Also, the normal law of distribution of random variables is used to determine the parameters for estimating the probabilities of deviations of indicators of business processes of marketing-oriented management of a pharmaceutical enterprise set values, including the probability of their detection and the consequences of occurrence, as those elements that characterize the overall risk of disruption to the organization's operating activities.

For formalization the simulation model for controlling the inventory management of pharmaceutical products in the Powersim simulation environment, we introduce the following notation for key structural elements that will be used when calculating the values of the objective function to estimate and optimize the value of the pharmaceutical enterprise costs:

- Spare\_capital - amount of free cash flow of a pharmaceutical company;
- Total\_Marketing\_Management\_Costs - total pharmaceutical company costs for marketing-oriented management;
- Av\_Business\_Process\_Control - the average cost of controlling the business processes of marketing-oriented management of a pharmaceutical enterprise;
- Marketing\_Strategy\_Costs - costs of implementing marketing strategies for managing multiple clusters of pharmaceutical products;
- Marketing\_Strategy\_G\_05 - a marketing strategy for managing clusters of pharmaceutical products, for which the balance in the use of periods of growth and decline in demand is observed;
- Marketing\_Strategy\_G\_0 - marketing strategy for managing clusters of pharmaceutical products for which periods of demand growth were not used;
- Duration\_in\_State\_Si - the duration of the stay of the business process of marketing-oriented management of a pharmaceutical enterprise in the state Si;

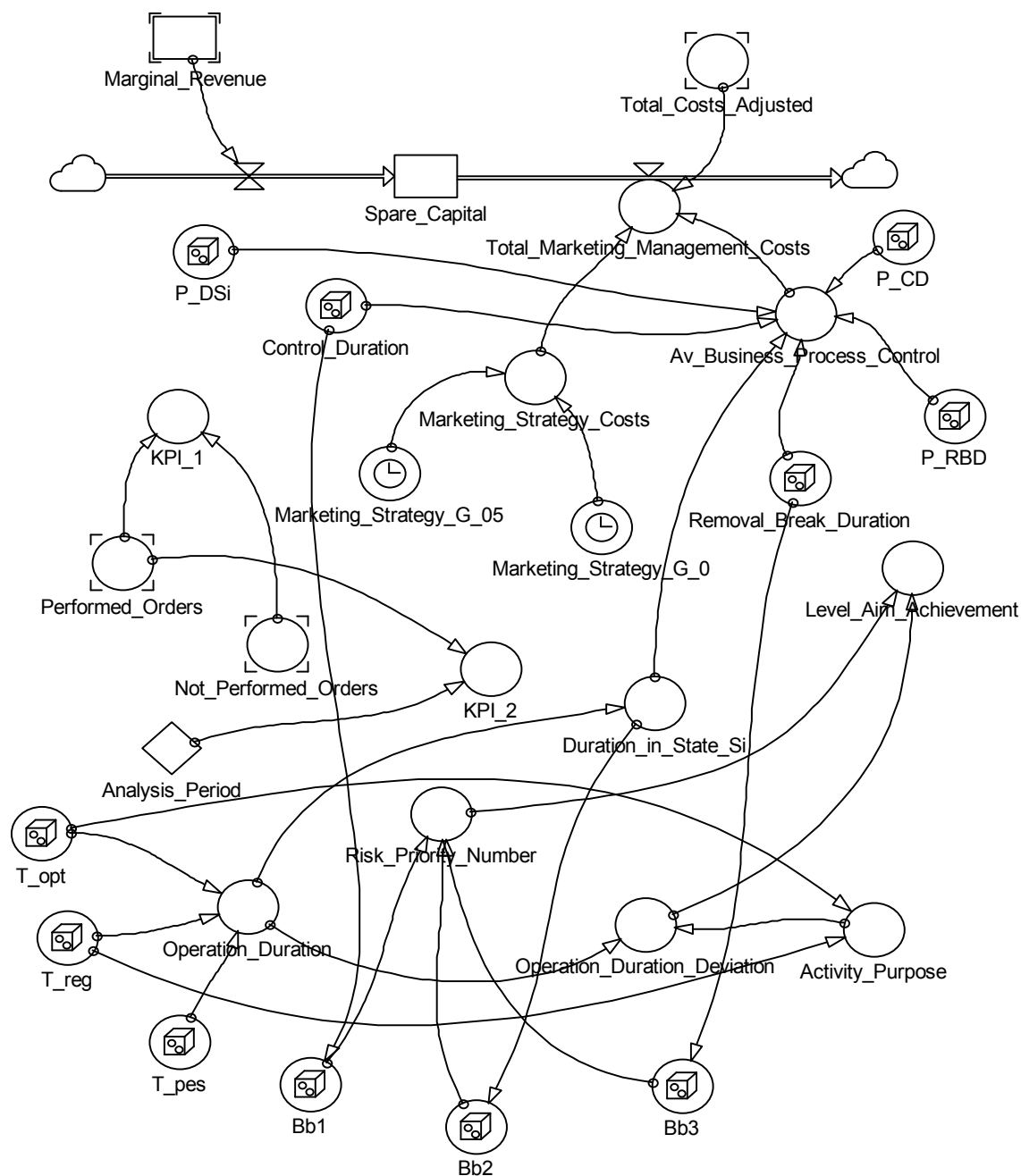
- Control\_Duration - the duration of the procedure for monitoring the business processes of marketing-oriented management of a pharmaceutical enterprise;
- Removal\_Break\_Duration - the duration of the elimination of violations in the implementation of the business process of marketing-oriented management of a pharmaceutical company.

At the same time, the flow with the Total\_Marketing\_Management\_Costs pace is an indicator of the total increase in expenses of a pharmaceutical company due to changes (positive or negative) in the course of business processes of marketing-oriented management of its activities, which, in turn, determines the financial condition of the organization and its level of stability in the long-term perspective.

- Level\_Aim\_Achievement - the degree to which the pharmaceutical company achieves the point target of functioning;
- KPI\_1 - the ratio of the number of orders for the purchase of the i-th cluster of pharmaceutical products, which is implemented when it enters the inventory management system, to the total number of requirements for the purchase of the i-th cluster of pharmaceutical products;
- KPI\_2 - the ratio of the number of orders for the purchase of the i-th cluster of pharmaceutical products, which is sufficient when entering the inventory management system, the number of working days in the period during which the business processes of marketing-oriented management of a pharmaceutical enterprise are analyzed;
- Duration\_In\_State\_Si - the duration of the stay of the business process of marketing-oriented management of the pharmaceutical company in the state of Si;
- Risk\_Priority\_Number - the number of priority of the risk of the process of managing stocks of pharmaceutical products;
- Operation\_Duration - the duration of the k-th operation of the business process of marketing-oriented management of a pharmaceutical enterprise;
- T\_opt - optimistic duration of the k-th operation of the business process of marketing-oriented management of a pharmaceutical enterprise;
- T\_reg - the most probable (expected) duration of the k-th operation of the business process of marketing-oriented management of a pharmaceutical enterprise;
- T\_pes - pessimistic duration of the k-th operation of the business process of marketing-oriented management of a pharmaceutical enterprise;
- Operation\_Duration\_Deviation - the deviation of the duration of the k-th operation of the business process of marketing-oriented management of the pharmaceutical enterprise from the expected value;
- Activity\_Purpose - the point target of the functioning of a pharmaceutical enterprise;
- Bb1 - assessment of the probability of detecting deviations in the indicators of the business process of marketing-oriented management of a pharmaceutical enterprise of established values;
- Bb2 - assessment of the probability of deviations of indicators of the business process of marketing-oriented management of a pharmaceutical enterprise of established values.

Taking into account mentioned above, the structure of the imitation of system-dynamic model of control of the processes of managing stocks of pharmaceutical products is presented in Fig.2.

As an information base for the necessary calculations, it is advisable to use not only financial statements, it is compulsory drawn up at a pharmaceutical company with an aim to transfer it to the supervisory authority, but also quantitative turnover and balance sheets, registers of manufacturers and suppliers of substances, as well as corresponding price lists that determine the pricing and assortment policy of a pharmaceutical company.



**Fig.2. A system-dynamic model of controlling pharmaceuticals inventory management processes in the Powersim application package**

### **Conclusions.**

Therefore, the proposed structure of the system-dynamic model of inventory management of pharmaceutical products, is based on the synthesis of methods for analyzing inventory management systems and system dynamics methodology and which allows to solve current problems of inventory management, taking into account the stochastic processes inherent in the business processes of inventory management systems. Reflection of random processes generated by demand in the system-dynamic model of inventory management of pharmaceutical products allows to implement the principles of market approaches to management, contributes to the improvement of the assortment and communication policies of a pharmaceutical company and create a basis for increasing its competitiveness. The structure of the complex of system-dynamic models of management and control of pharmaceutical products is a holistic, multifunctional accounting and analytical system of pharmaceutical enterprise management tools, which allows: to carry out calculations of a set of estimated parameters of the target orientation, which characterize the features of the flow of operations within the divisions of a pharmaceutical enterprise; to generate a basis for the development of management decisions adequate to the current situation for their further implementation in the practice of a pharmaceutical enterprise in order to adjust the level of economic efficiency of its activities; to coordinate information flows between the divisions of a pharmaceutical enterprise, ensuring the continuity of its activities in the long term; to determine the quantitative and qualitative results of the process of managing the achievement of the objectives of the functioning of a pharmaceutical enterprise.

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**THE UKRAINIAN CRISIS: A TEST FOR THE RULE OF LAW**

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**Abstract.** *The article focuses on the recent challenges which Ukraine faced after Revolution of Dignity that caused the violation of rule of law and territorial integrity of the country. Ukraine made the choice in 2014 toward European democratic principles, the rule of law developed by the Western constitutionalism, the principle of separation of powers, political pluralism, guarantees of human rights and freedoms based on human dignity and independence of the judiciary. Within the four years Ukraine faced a set of challenges with Russia: annexation of Crimea, subsequent intervention in the Donbass and Luhansk region, violation of UN Charter, the Helsinki Final Act (1975), the Budapest Memorandum (1994), UNCLOS (1982) and main principles of international law. The author describes examples of violation of rule of law such as annexation of the Crimea peninsula, Ukraine-Russia sea clash on November 25<sup>th</sup>, 2018 and external aggression which became the biggest challenge Ukraine faces since the restoration of state sovereignty in 1991. Russia's behaviour poses a challenge to the world security system as they undermine the general democratic values and rule of law. In order to describe this problem, the violation of rule of law, the author analysed international treaties, documents of international organizations and internal law as well as the practice of their implementations, judicial decisions, diplomatic documents, statements, speeches by state figures, materials of mass media, scientific works in the field of international, constitutional and other branches of law.*

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**Jel Classification:** H12, K10

**Abbreviations**

NATO The North Atlantic Treaty Organization

NS the Nord Stream 2

CP Crimea Peninsula

ICJ the International Court of Justice

UN the United Nations

UNC the United Nations Charter

UN PO the UN Peacekeeping Operations

UNCLOS the United Nations Convention on the Law of the Sea 1982

DCU the Defence Council of Ukraine



### **Introduction.**

Among international organizations, the UN due to the powers vested in its Charter and its unique international character has undertaken a leading role on the rule of law in order to support the development, promotion and implementation of international norms and standards in most fields of international law, particularly the maintenance of peace and security. The Security Council takes the lead in determining the existence of a threat to the peace or an act of aggression. Under Chapter VII, the Security Council can take enforcement measures to maintain or restore international peace and security. Such measures range from economic sanctions to international military action. The Council also establishes UN Peacekeeping Operations and Special Political Missions. Among the tools the Organization uses to bring peace are peacekeeping, peacebuilding, countering terrorism, disarmament [39].

The Secretary General has made very important statement that “every nation that proclaims the rule of law at home must respect it abroad and that every nation that insists on it abroad must enforce it at home” [40]. He has submitted various reports on the rule of law to the UN organs. The General Assembly has considered the rule of law as an agenda item since 1992, and with renewed interest since the 2001 Millennium Declaration [46]. The UN has adopted several resolutions in this regard calling for compliance with the decisions of the International Court of Justice, for non-discrimination, and for an inventory of activities on the rule of law by the UN organs. The UN Security Council has held several thematic debates on the rule of law and justice, post-conflict national reconciliation, Haiti, humanitarian crises, and the maintenance of international peace and security [35]. Important reports on the rule of law have been submitted within the context of conflict prevention and peace-keeping operations, which have led to the adoption of resolutions and to important statements of the President of the Security Council [36].

In particular, the rule of law has been strongly promoted by the UN Security Council in its work in the field of peace and security. Of course, Article 84 of the UN Charter refers to the domestic law of the states in the context of trust territories (the last of which became independent in 1994), but Article 2(7) of the Charter specifically excludes matters “essentially within the domestic jurisdiction” from interference by the UN, except when the UN SC acts in its enforcement capacity for the purpose of preserving international peace and security under Chapter VII. Consequently, the UN SC has incorporated the concept of rule of law in many of its peace-keeping operations, and in some of them the components of the rule of law play a fundamental role. In both Kosovo since 1993 and in East Timor/Timor Leste from 1999-2002 the UN has had and still has direct responsibility for the administration of justice (the so-called “executive powers,”) including the control of the police and prison services. In Kosovo, before its declaration of independence, the High Representative could exercise “all legislative and executive authority, including the administration of the judiciary”.

Additionally, the officials working for the Kosovo High Representative enjoyed personal or functional immunity from legal process while being unaccountable to the local population. Similar executive powers were conferred on the Office of the High Representative in Bosnia and Herzegovina. Ever since then, UN SC resolutions have continuously expanded the scope of the rule of law to include gender issues, the protection of children in armed conflict, the protection of civilians, and due process in the fight against terrorism [33].

The United Nations also works to support a rule of law framework at national levels. In this regard, the UN Secretary General has indicated that the rule of law is a concept at the very heart of the Organizations mission and “for the purpose of the United Nations: The rule of law refers to a principle of governance in which all persons, institutions and entities, public and private, including the state itself, are accountable to laws that are publicly promulgated, equally enforced and independently adjudicated, and which are consistent with international human rights norms and standards. It requires, as well, measures to ensure adherence to the principles of supremacy of law, equality before the law, accountability to the law, fairness in the application of the law, separation of powers, participation in decision-making, legal certainty, avoidance of arbitrariness and procedural and legal transparency”.

Thus, in its different programs and actions, the UN supports the establishment of national legal systems that incorporate a constitution (or its equivalent) as the highest law of the land. The constitution should include a clear and consistent legal framework, and implementation thereof; strong institutions of justice, governance, security, and human rights that are well structured, financed, trained and equipped; transitional justice processes and mechanisms; and a public and civil society that contributes to strengthening the rule of law and holding public officials and institutions accountable. These are the norms, policies, institutions, and processes that form the core of a society in which individuals feel safe and secure, where disputes are settled peacefully, where effective redress is available for harm suffered, and where all who violate the law, including the State itself, are held accountable [41].

### **1. Violation of international law due the annexation of Crimea peninsula and sea clash in the Sea of Azov.**

In late February, pro-Russian separatists seized key buildings in the Crimean capital, Simferopol, and unidentified gunmen in combat uniforms appeared outside Crimea’s main airports. On 16 March, Crimea voted to secede in a disputed referendum, and the next day the Crimean parliament declared independence and formally applied to join the Russian Federation. On 18 March, President Putin signed a bill to absorb the peninsula into the Federation [12].

This events the whole civilized world called as annexation of Crimea with violation some international agreements, namely:

1. non-intervention provisions in the United Nations Charter [8];
2. the Helsinki Final Act of 1975 [16];
3. the 1990 Paris Charter (the tenets of which are that borders of countries are not rewritten by force and all states enjoy equal security and equal rights to choose their own alliances) [43];
4. the Budapest Memorandum of 1994 [20];
5. the 1997 Treaty of Friendship, Cooperation and Partnership between Russia and Ukraine (which requires Russia to respect Ukraine's territorial integrity) [45].

On November 25, 2018, another act of armed aggression by the Russian Federation in the Kerch Strait against the ships of the Naval Forces of the Armed Forces of Ukraine took place. At 00:00 on November 26 the Military Cabinet a meeting of the National Security and Defence Council of Ukraine took place. The decision "Regarding extraordinary measures on ensuring the state sovereignty and independence of Ukraine and the imposition of martial law in Ukraine" was approved at the meeting [21].

At 02:01 on 26 November 2018 the Ministry of Foreign Affairs of Ukraine issued the statement in connection with another act of aggression against Ukraine and expressed its strong protest to the Russian Federation in connection with the armed attack and capture of the Ukrainian navy ships "Berdyansk", "Nikopol" and the tug boat "Yana Kapu", as well as the wounding and capturing of members of their crews [37]. At the same day was issued the Decree of President of Ukraine Petro Poroshenko № 393/2018 "On the imposition of martial law in Ukraine", which introduces martial law for 30 days - from 14:00 on November 26 to 14:00 on December 26 [28]. On 27 November 2018 Ukraine took steps to alert the international tribunal that is considering Russia's violations of the 1982 U.N. Convention on the Law of the Sea in the Black Sea, Sea of Azov, and Kerch Strait, of recent actions by Russia that have significantly aggravated the parties' dispute [38].

According to the Ukrainian authorities the attack on Ukrainian ships that was carried out during a sea crossing from the port of Odessa to the port of Mariupol, in accordance with the provisions of all effective multilateral and bilateral international treaties and navigation rules, is nothing but another act of armed aggression of the Russian Federation against Ukraine, as defined, in particular, in Article 2 of the Charter of the United Nations and the provisions of UN General Assembly Resolution 29/3314 of 14 December 1974 on the definition of aggression. Russia has de facto expanded its military aggression against Ukraine to the sea. Latest events in Ukraine confirmed the violation of the rule of law and the European values [37].

## **2. The Western response for violation of rule of law**

Russia executed hostile actions not only in Ukraine but also among the Western countries. These actions can be grouped into five categories:

1. Military aggression and revanchism.
2. Support for political extremism (far-left and far-right).
3. Offensive cyber-attacks and disinformation campaigns.
4. Using energy as a 'wedge strategy' against energy-dependent states.
5. Exportation of weaponized corruption [17].

Western countries responded only by non-military instrument such as imposition of economic sanctions on parts of the Russian economy and selected individuals after 2014 [2]. They can't use the military response, especially article 5 of The North Atlantic Treaty to deter Russia because Ukraine doesn't participate to this organization [44]. Although the Russian military has been actively provoking the Baltic republics within the last 2 years [25]. The West is failing to come up with meaningful non-military forms of deterrence take in consideration the fact that Russian aggression is escalating and does not show any signs of stopping: Russian interference in the 2016 Dutch EU-Ukraine Association Agreement referendum [4]; the 2016 Brexit referendum [24]; the 2016 Italian constitutional referendum [3]; the 2017 French presidential elections [18]; the 2017 Catalonia crisis [19] and the 2017 German parliamentary elections [9]. The West has not punished Russia for any of these hostile acts.

US presidential election in the 2016 caused the strategic awakening of a large portion of the American political establishment (apart from the president) to the Russian threat [15]. Washington has put in place extensive and escalating sanctions against Russian behaviour and has invested large sums in countering Russian influence and disinformation in Europe too [23]. The UK has experienced two stages of awakening: the Russian chemical attack on UK soil in spring 2018 (the Skripal poisoning case) [5] and the ongoing investigations into Russian influence in the 2016 Brexit vote (UK Parliament, Digital Culture, Media and Sport Committee 2018) [11]. French President Emmanuel Macron has accused recently Russia in Russian influence on yellow vest riots [7]. These facts confirmed that Russia try to buy the political influence in Western Europe because there is no resistance to it. After financial backing France-National Front and its leader Marine le Pen [1], French President Emmanuel Macron has announced plans for a new law to combat so-called fake news, but there was no serious respond to counter the Russian influence in French politics [6]. Despite all these cases some European political parties with direct institutional links to Russian entities have entered governments in Italy and Austria [27].

Germany as a leading country EU in stopping Russian aggression till now doesn't convinced the all political establishment to strengthen the sanctions take in consideration the Nord Stream 2 project through, despite the objections of its allies. For example, in April 2018 the EU Commission refused to back the project, saying it did not contribute to the EU goals of diversifying the gas supplies. On the global stage, critics accuse Berlin of ignoring

the interests of its allies by filling Russia's coffers at the time of a diplomatic conflict. US President Donald Trump slammed Berlin in July 2018, saying it was "captive to Russia" due to its energy policy. This selfishness and unwillingness to take the lead in punishing Russia for its numerous atrocities and other hostile actions effectively means that there can be no expectation that Berlin could be the leading principled power [10].

A review of policy countermeasures by EU member states shows that the political will to implement structural policies to counter this Russian threat is limited. The main reason for this is a lack of understanding of the urgency of the threat and territorial remoteness. Because of this political environment, it is unlikely that Europe will soon engage in punishing Russian behaviour except the soft power and therefore in effectively trying to deter the aggressor. Nevertheless, Western countries are still in the phase of discussion of policies how to deter and stop Russia and what the states should do domestically to decrease their vulnerabilities [14].

### **3. The role of the Organization for Security and Co-operation in Europe in resolving Ukrainian crisis**

Today there is a lot of discussion among scholars about the role of the OSCE in solving the security problems in Ukraine. The OSCE, as the regional organization responsible for security issues on the European continent, decided to provide support to Ukraine at the request of the Ukrainian government and with the agreement of all 57 OSCE member-states. As a result, on 21 March 2014 was adopted by the Permanent Council of OSCE the Decision №1117 on deployment a special OSCE monitoring mission of international observers to Ukraine [29].

The Mission currently consists of almost 700 unarmed civilian monitors from more than 40 OSCE participating States. The SMM aims to gather information and report on the security situation establish and report the facts, especially on specific incidents on the ground. The Mission monitors talk to various community groups - authorities at all levels, civil society, ethnic and religious groups and local communities. The goal of the SMM is to help Ukraine to reduce tensions and facilitate dialogue between all the sides. The mandate of the Mission covers the entire territory of Ukraine. The Mission's Head Office is in Kyiv, and the monitoring teams work in 10 biggest cities of Ukraine: Chernivtsi, Dnepropetrovsk, Donetsk, Ivano-Frankivsk, Kharkiv, Kherson, Kyiv, Luhansk, Lviv, Odessa. The Mission also has several Hubs and Forward Patrol Bases. Almost 600 monitors work now in Donetsk and Luhansk regions. The presence of the OSCE Mission to date is conditioned by the long-term crisis in the East region of Ukraine and the unresolved conflict between Ukraine and the Russian Federation, which in turn is a serious threat to security in the European space. Therefore, finding effective mechanisms for Ukraine's cooperation with the OSCE in shaping the European security and stability system is extremely relevant and a socially significant problem [30].

The political significance of the OSCE lies in the fact that it is the only European security organization that is directly involved in early warning and conflict resolution and post-crisis reconstruction, widely applying methods of preventive diplomacy. As the largest of the existing regional security organizations, the OSCE promotes the development of a new, co-operative, comprehensive European security model. In particular, the OSCE solves a wide range of security issues: arms control, border management, conflict prevention and resolution, countering terrorism, policing, reform and co-operation in the security sector, human rights protection, economic and environmental security issues [31].

The OSCE's central intermediary instrument is the Tripartite Contact Group (TKG), founded in June 2014 with the aim of establishing a diplomatic dialogue between Ukraine and the Russian Federation, as well as discussing the implementation of the Peace Plan of the President of Ukraine P.O. Poroshenko. Within the framework of TKG, consultations are held between the representatives of Ukraine, Russia and the OSCE and negotiations on concrete steps on the implementation of the Minsk Agreements. The TKG is headed by the Special Representative of the OSCE Chairman-in-Office in Ukraine, Ambassador Martin Saidik (Austria). In the framework of TKG in Minsk, four working groups on political, security, economic and humanitarian issues are held periodically. TKG work is provided with political support from the governments of the Normandy format (Ukraine, Russia, Germany, France). One of the important concrete results of TKG's work was the implementation of the agreement on the release on 27 December 2017 of 73 Ukrainian citizens illegally detained in the ORDLO [32].

The OSCE has significant experience in conflict resolution and conflict management. This is especially true for the so-called "frozen" conflicts on the European continent. The last years in the four main conflicts in the post-Soviet space (Georgia, Nagorno-Karabakh, the Transnistrian conflict) the OSCE demonstrated different levels of engagement. The lowest level was observed in Georgia, especially after the Russian Federation blocked the decision to extend the mission mandate at the end of 2008, after the Russo-Georgian conflict in August 2008. This led to an actual loss of weight in the area of conflict resolution in the South Caucasus.

The OSCE's activities in the settlement of the Transnistrian conflict are ambiguous. On the one hand, the involvement of this organization in the settlement process was very positive, as it allowed to internationalize the negotiation process and attract the attention of the international community. In addition, the presence the OSCE missions held back the hostile actions of the parties in conflict situations, as the awareness of the international community's monitoring was important. Ukraine actively participated in the peace process and had the status of an official mediator in the settlement of the Transnistrian conflict in the format of 5+2. On the second hand, there is a sharp critique toward the OSCE. Many experts indicated the numerous ineffectiveness of peacekeeping efforts and the OSCE monitoring mission because this organization has no effective instruments and tools that could force countries to fulfil their commitments. And this is clear in the failure of the

OSCE to enforce the decisions of the Istanbul Summit on the export of weapons and ammunition from the Russian 14th Army from the territory of Transnistria. The decision-making process and the coordination of activities continue for so long that the time for the effective implementation of this decision is lost. In addition, the activities of the OSCE Mission in Moldova are extremely negative on the left bank of the Dniester. Though Transnistria has the OSCE representation, it does not trust it, it's criticized for formalism, bias and enthusiasm. According to the Transnistrian monitoring, the OSCE is one of the means of collecting military-strategic information, since representatives of the CIA play a dominant role in the organization. The OSCE is blamed for turning itself into an instrument of pressure, pursuing a policy of double standards and protecting the interests of the Western world, regardless of the objective reality that exists in the conflict zone [13].

The Carnegie Europe see a significant role of OSCE for Ukraine in two scenarios. One of the OSCE's main tasks would be damage limitation. If Russia continues to play an adversarial game but has no interest in a massive escalation of the conflict, the OSCE's political and security instruments can serve as channels of communication and help develop measures to ensure a minimum level of stability. The organization's other function would be to offer Western governments a platform for holding those responsible for the breach of the OSCE's principles accountable and for maintaining the pressure for a fair and just political solution. The second scenario would involve a change of heart of the leadership in Russia and a reset of power. This event could be a strong commitment to a political solution of the Ukraine crisis. In this scenario, the OSCE could serve as a broad framework for negotiations of a comprehensive settlement and play a leading role in facilitating and monitoring its implementation [22].

In author opinion the OSCE doesn't directly resolve the territorial dispute, assumes the role of mediator. The previous experience of engaging in conflict resolution in the post-Soviet space, the possibility of blocking decisions by the Russian Federation through consensus, the lack of work on mistakes in previous conflicts, non-recognition of the Russian Federation as an aggressor country by the OSCE reduced the OSCE's operational activity only to activities of the Special Monitoring Mission. At the same time, this role shouldn't be underestimated, since it was the OSCE that managed to deploy its mission as soon as possible, which is, in particular, fundamental to monitoring the ceasefire. The future of the OSCE depends on fruitful cooperation between Russia and the West. As a comprehensive and inclusive forum, the OSCE offers a platform for dialogue between the two sides however, its capacity to influence the quality of their relations is rather limited. The important decisions are ultimately made in national capitals or in other organizations like UN. Therefore, the impact of the OSCE on the security in Ukraine is debatable. The safety of Ukraine mostly lays in the hand of two involved parties which have their own views in future development of its countries. Plus, historical heritage after the collapse of USSR exacerbate the political situation which directly affect the security of Ukraine. Only honest dialog between Ukraine and the Russian Federation can resolve not only the territorial differences but the crisis as well [34].

#### **4. The Ukrainian crisis: a test for international law**

The general aims of modern international law are specified concisely in the preamble of the Charter of the United Nations, “to save succeeding generations from the scourge of war, which twice in our lifetime has brought untold sorrow to mankind, and to establish conditions under which justice and respect for the obligations arising from treaties and other sources of international law can be maintained” [8]. It is different from domestic law in many fundamental respects, i.e. the law seen by most as a format or paradigm of how a legal system should work. The crucial characteristics of international law is that it does not have a central legislator, there is also a limited global authority as well as limited enforcement possibilities. Moreover, to add another “special” feature – the main actors of international law are states, which are sovereign. As a result, more powerful states can influence the content of international law and its reality.

Given the above features, there is a surprising level of compliance with the discussed legal order. There is a vast array of international law treaties which help the world function, pertaining to areas as varied as humanitarian law, human rights, aviation, sports, peace and conflict termination, intellectual property and many others. Furthermore, over history a number of permanent and temporary tribunals have brought a further degree of compliance with international law, the ICJ, being the main example. However, in the context of the annexation of Crimea peninsula, one may even question the validity of international law. Does this system work only in peaceful circumstances and can it be easily disregarded in times of conflict, especially in the current multipolar world, as some claim? Has a period of a unilateral US policy led to the diminished role of international law? Perhaps events such as the NATO intervention in Kosovo and its recognition as an independent state later or the *de facto* unilateral American intervention in Iraq has led other countries, wielding substantial power, to “think” they are empowered to perform some acts they see as “legitimate”, but not necessarily legal? However, accepting the notion that “all options are on the table” for the powerful is a *de facto* abandonment of international law and leaving it all to pure geopolitics, which would lead only to chaos. There is a need for a discussion regarding the shape of international law, effectiveness being the main concern. The world is too complex for a uniform set of rules. There is also a need to take into account the actual power play in the world, as international law doesn’t exist in a vacuum. This goes to the inherent characteristic of international law, namely, the lack of a global police/enforcement service and the already mentioned fact that the one institution capable of a somewhat similar function (the UN SC) can be easily blocked. However, one should not forget, even though the UN SC failed to react directly, the US, the EU, and other countries and organizations have imposed sanctions [47]. By way of an indirect effective cooperation, these sanctions led to a substantial economic effect, thus, very likely, achieving its goal of acting as a deterrent, at least to some degree.



However, it is also notable that the Russian government issued countersanctions, aimed at the aforementioned states and political blocks, which raise the issue of sanctions being a double-edged sword. Nevertheless, international law should not be reduced to occasional issuing of sanctions as a way to force compliance. The preferred usage of this legal system's mechanisms is to resolve disputes peacefully and ensure compliance in this way.

The Ukrainian crisis demonstrates that the United States and the European Union, which have led global opposition to Russia's involvement in Ukraine, have held uniform views on major international legal issues raised by that involvement. This unified stance suggests that the transatlantic zone is where shared basic values and principles of a global order do not exist only as a matter of abstract rhetorical agreement but also get translated into concrete policies and are applied to concrete cases.

One cannot effectively argue with the fact that international law was and sometimes is ignored by the major powers. The great powers always find ways to navigate through the sometimes-muddy waters of international law in order to secure their interests. One example of that is the veto mechanism of the UN's Security Council, making any action against its permanent members impossible or at least very difficult. However, there is an indirect effect of international law in this respect: regardless of the legitimacy of the accusations against Russia in the conflict at hand, the Russian authorities came up with a substantial line of defence of their supposed activities on Ukrainian soil. Moreover, a single violation or even several violations do not mean the entire international legal system is ignored.

It can be said the classical rules of international law have been watered down in the recent two decades, by the very critics of Russia, in particular the US and NATO, i.e. by the Iraq intervention lacking the consent of the UN SC. Seeing the problematic legality of such interventions, the world powers try to shift the discussion to the issue of legitimacy, rather than legality.

With all that being said – international law should not be abandoned, especially now, in a world which is increasingly interconnected. It contains multiple instruments which might and should be used to end the present conflict in Ukraine as quickly as possible, in order to save lives and provide a compressive solution for Ukraine, securing the long-term peace. International law was developed as a system of rules, the aim of which is to organize the international community. Although from the get-go, it was lacking a central law-giver or enforcement measures, typical for inter-state law, it had other instruments and measures – this specifically pertains, inter alia, to the role of IGO's as facilitators of peace negotiations and peace builders as well as humanitarian law, which mitigates the violence in armed conflicts [26].

### **Conclusions.**

Moscow is using Ukraine as its biggest testing field abroad to check the rule of law in the 21<sup>st</sup> century and the behaviour of the UN, the OSCE, the Western countries as well as Ukraine. For the Ukrainian crisis the UN can't directly resolve the territorial dispute due to Russia being a permanent member of UN Security Council with its right to veto and using as such in this respect. That's why the deployment of the UN Peacekeeping Operations very difficult question.

The annexation of the Crimea peninsula and the conflict in East Ukraine, Ukraine-Russia sea clash on November 25<sup>th</sup> 2018 has become a challenge not only for Ukraine but also for the Western countries and the UN, the OSCE as a whole institution as well as the principles laid down by the Charter of UN, the Helsinki Final Act in 1975, the 1990 Paris Charter, the Budapest Memorandum of 1994, the 1997 Treaty of Friendship, Cooperation and Partnership between Russia and Ukraine. Till now all the above mentioned institutions responded only with its non-military instrument such as imposition of economic sanctions. However, there are discussions among the experts to find out more effective instruments to deter the behaviour of the Russian Federation.

Not only the future of Ukraine but also the further development of the world security system and international relations will depend on the effectiveness of the resolution of the conflict in Ukraine. Issues of territorial integrity and state sovereignty are considered as basic human rights and the annexation of the Crimea peninsula was not even subject to hypothetical discussions as they were endorsed by all the participating countries. The UN's inability to respond adequately to the annexation of the Crimea peninsula and address the Ukrainian issue in the East of Ukraine can negatively affect the principle of the rule of law and the credibility of Article 2 of the United Nations Charter (all Members shall refrain in their international relations from the threat or use of force against the territorial integrity or political independence of any state, or in any other manner inconsistent with the Purposes of the United Nations).

There are other lessons to be learned from the current conflict in Ukraine. This crisis is not only a test for the rule of law but also on the effectiveness of the UN as a universal security organization to save succeeding generations from the scourge of war. A deficiency in the UN system concerning its functioning is related to the lack of democratic mechanisms and accountability. The composition of the Security Council still reflects the power distribution of 1945 as the five permanent members (the United States, France, the United Kingdom, China and Russia) hold more powers and privileges (the outdated individual right to veto decisions) than the non-permanent ones. Since the power distribution has strongly changed during the last decades and values of equivalence between sovereign states have spread in the international community, the composition of the Security Council appears to be anachronistic.

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## **CHEMISTRY KNOWLEDGE COMPETENCES OF TECHICAL UNIVERSITY STUDENTS**

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**Abstract.** *Subject competence is a necessary element in the training of a competent specialist of building profile. The indicators of professional competence of a specialist are not only knowledge and skills forming the general professional intelligence (cognitive and activity components), but also professional position and individual psychic features (motivational-value component). The tasks of research were to formulate clear criteria for assessing the level of competence in chemistry; to develop methods of teaching chemistry to student builders; to compare the developed techniques with the traditionally used at the university; to evaluate the effectiveness of the developed techniques during the coming years. Experimental was carried out in the professional training of Lutsk National Technical University (Ukraine) students of the study programme "Construction and Civil Engineering". On the analysis of the motivation of the educational activity and the qualitative indicators of success the conclusions about the effectiveness of the proposed training system, which has been successfully used at the university, have been confirmed. A statistically significant confirmation of the effectiveness of the competence approach to the study of natural sciences in the technical university have been obtained.*

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**JEL Classifacation: I23**

### **Introduction.**

One of the actual tasks of higher education is the training of a competitive, educated, competent personality with such qualities as an innovative type of thinking, intellect, will, ability to operate in a dynamically changing world, readiness for creative activity, self-realization, and self-improvement. The quality of education is increasingly being measured not just be the level of knowledge gained during schooling, but also by the level of competence possessed by students at doing a particular job after completing their education.

Three categories of key competencies (interacting in socially heterogeneous groups, acting autonomously, and using tools interactively) are indispensable prerequisites for an individually successful life and for sustainable social, economic and democratic development of society [13; 14]. If competence is the desired criterion for educational quality, it can be easily established that suitable instruments and methods of measurement are needed for this kind of quality evaluation, which, however, are not yet available [10; 11]. The latest academic competency-based research for education focuses on innovative practices, strategies, and real-world scenarios [8; 12; 15].

Since the beginning of the XXI century a competence approach become the leading educational paradigm, the theoretical developments have been actively implemented in the realm of the educational process in educational institutions in Ukraine [5]. The lecturer faces the problem of finding approaches and techniques for the training of future specialists. However, the quality teaching of fundamental or professional disciplines is based on three components: 1) purpose (clear identification of the competencies that need to be formed); 2) methodology (methods of forming competencies and control stage of their achievement); 3) means (methodological and material support of the educational process).

Professional competence is seen as the generic, integrated and internalized capability to deliver sustainable effective (worthy) performance (including problem solving, realizing innovation, and creating transformation) in a certain professional domain, job, role, organisational context, and task situation [9]. A competency is a part of generic competence; it is a coherent cluster of knowledge, skills and attitudes that can be utilized in real performance contexts.

In the production of competence in the universities it is extremely important to identify proactively competence needs and new competence combinations for the future, and in results fulfil the needs of the organisations as they transform and develop their core competences. Generic competences enable ethical, reflective, and innovative operation in the ever more networked activities of the globalised world [7].

Competences enables the student to understand, evaluate und assess information, which they have to collect, interpret and identify the main issues. It challenges the students' way of thinking logically, using the key assumptions of the respective subject area and even develop this area further by research [3].

The professional competence of future builders can be defined as the ability to carry out professional functions of the achieved qualification level based on the acquired integrated knowledge, skills, experience and personal qualities. The indicators of professional competence are not only knowledge and skills, which form the general professional intelligence (cognitive and activity components), but also his professional position and individual psychic features (motivational-value component).

Subject competence is a necessary element in the training a competent builder. The system of preparation of future builders consists of three components – cycles of disciplines of

humanitarian, social, economic training, natural science and professional-practical training in the specialization. The disciplines of science education (including chemistry) lay the foundation for future professional competence.

The aim of studying chemistry for future builders is the formation of chemical competence (component of professional competence), which includes:

- chemical thinking as an understanding of the interconnection of material objects of reality by the scheme: the structural organization of matter – physical and chemical properties – place in nature and interconversion – application – the impact on the environment;

- chemical literacy – the ability to record chemical formulas and equations, understand their essence and carry out necessary calculations; the ability to find necessary chemical information and use it; the ability to handle chemicals, make certain transformations with them, and predict the results of these transformations;

- chemical responsibility – awareness of the role of various chemicals and materials in human life and in the environment.

The major questions of the research were:

- 1) how to formulate clear criteria for assessing the level of competence in chemistry;
- 2) how to develop methods of teaching chemistry to students-builders;
- 3) how to compare the developed techniques with the traditionally used at the university;
- 4) how to evaluate the effectiveness of the developed techniques during the coming years.

### **1. Methodology of Research.**

The analysis of scientific literature and experience of work at the technical university made it possible to highlight the following criteria for the training of professional competence of future builders: cognitive, activity and motivational. Based on the selected criteria, according to the Bespalko's knowledge acquisition process model [1] and Biggs SOLO taxonomy [2], one can determine following levels of professional competence formation for future builders: reproductive (low), reconstructive (average), productive (high), creative (perfect) [4; 5]. This research was guided by the assumption that the assimilation of knowledge, skills and competences, the formation of competence on their basis is a complex process that involves sensory-specific perception of the content, its awareness, discovery of new properties and attributes, establishment of links between them and, finally, mastering certain methods of action in the process of students' cognitive activity.

The cognitive (knowledge) criterion reflects the level of obtained knowledge by future specialists in the building profile on a particular discipline of science or vocational training. Productive indicators estimated the cognitive criterion. We included introductory



knowledge control, results of intermediate, module controls and exam sessions during the experiment.

Indicators and levels of evaluation of the cognitive criteria are:

- level of knowledge: the presence of minimal knowledge, the lack of their systematization (reproductive); subjective knowledge is partially systematized, but not sufficiently integrated (reconstructive); good systematized knowledge (productive); knowledge has a creative, poly-functional character, characterized by system of connections (creative);

- flexibility of knowledge: solving of simple, standard tasks under the supervision of a teacher (reproductive); solution of tasks, as a rule, in standard situations (reconstructive); independent use of knowledge in typical and non-standard situations (productive); knowledge has a creative, poly-functional character, the desire and ability to solve the tasks with creative character (creative);

- strength of knowledge: low reproducibility of the material (reproductive); partial reproduction and ability to use previously obtained knowledge (reconstructive); high reproduction of knowledge, its replenishment after studying the subject from other sources (productive); the ability to transfer the acquired knowledge to other areas of activity (creative);

- development of thinking: low level of intelligence, the flow of mental processes is slow (reproductive); sufficient level of mastery of the basic thinking operations for standard solutions (reconstructive); rapid course of thought processes, originality of thought, non-standard approach (productive); the flexibility of thought processes, the ability to predict, the developed creative thinking (creative).

Activity criterion characterizes the ability of students to apply their experience to solve creative, educational and professional tasks, and to plan further professional and personal self-development. Indicators and levels of evaluation of the activity criteria are:

- ability to solve tasks: solving typical simple tasks; the inability to write the reaction equations (reproductive); solving problems of medium complexity level using the given algorithm; the ability to write equations of typical transformations with minor mistakes (reconstructive); independent solving of problems of medium and high complexity level; ability to write equations of transformation correctly (productive); solving complicated and non-standard tasks, non-trivial approach, ability to make a task; the ability to write equations and to predict products of unknown reactions (creative);

- ability to work with information: reproduction of information according to the instruction of the teacher; inability to find new information (reproductive); partial possession of the skills of work with informational sources; inability to analyse information (reconstructive); advanced skills of work with information, the ability to analyse and reproduce it (productive); independent search, analysis and synthesis of information; ability to use it properly (creative);

– ability to work with substances: the ability to reproduce chemical experiments under the direction of a teacher, low understanding and the inability to predict the results of their activities (reproductive); the ability to independently work according to the instruction, the ability to make conclusions is partly developed (reconstructive); the ability to work independently and analyse the results of experiments (productive); the ability to predict the results of the interaction between substances by analysing their structure and properties (creative);

– the ability to analyse the chemical context of the environment: misunderstanding of the chemical context of either domestic or professional (building) processes and phenomena (reproductive); understanding of the chemical nature of individual household and building materials and processes; ability to work safely with substances, materials and devices (reconstructive); understanding of the processes taking place in the production of building materials and structures and their exploitation; the ability to evaluate the danger of certain substances or processes for humans and the environment (productive); the ability to analyse and predict environmental phenomena from a chemical point of view; applying knowledge and skills to create new materials and technologies (creative).

Procedural indicators evaluated activity criterion. We took into account the implementation of laboratory and practical work, individual calculation and research tasks, construction projects, participation of students in the research work of the department.

The motivational-value criterion characterizes the young person's personal attitude to the chosen profession, studies and future professional activity. The motivational-value criterion was evaluated according to the personal indicators specified next. We conducted observation, testing and questioning of students. Indicators and levels of evaluation of the motivational-value criteria are:

– interest in learning and subject: the lack of interest in the subject and the learning curriculum, situational interest in particular topics (reproductive); interest in learning activities is low, selective interest in the study of discipline (reconstructive); a steady interest in learning in general and discipline in particular (productive); a steady interest in learning, a special interest in the subject (creative);

– ability to self-education: no ability to self-study, a tendency to fulfil the minimum requirements for the completion of training (reproductive); self-education skills are partially developed, there is no initiative in obtaining new knowledge (reconstructive); the desire for self-education and self-development is developed, but manifests itself not systematically (productive); systematic conscious self-educational activity, aimed at increasing own competence (creative);

– interest in the chosen specialty: the lack of motivation and interest in the future profession, the occasional choice of education (reproductive); a formal interest in a builder specialty, studying is just a necessary step for obtaining a diploma (reconstructive); conscious choice of the future profession, the initial activity is deliberately directed at

acquiring of professional competence (productive); awareness of the personal and public knowledge of the specialty of the builder, the desire to change the world (creative);

– reflection (introspection): the ability to self-examination is not formed (reproductive); in-person skills are present, more or less they reveal under the influence of external factors (reconstructive); the ability to perform an adequate self-assessment, the ability to self-organize personal, educational, professional activities (productive); awareness and comprehension of the results and prospects of own activity; ability to overcome obstacles and to succeed (creative).

Experiment was carried out in the natural conditions of the educational process. All students of the speciality "Engineering and architecture" (Faculty of Construction and Design, Lutsk National Technical University) became the sample of research. The number of students varied due to the differences in university admission.

At the initial stage (2013), 97 students were involved (experimental groups – 48, control groups – 49) to the experiment, at the final stage (2014-2017) – 202 students. The gender distribution of the sample was following: 27.5% female and 72.5% male students. The age of participants was 18-20 years.

The educational process was organized by credit-module technology (course "Chemistry", 3 credits ECTS). The course consisted of 30 lecture hours, 30 hours of laboratory practice and 30 hours of independent work. During the experiment, special attention was paid to the motives of educational activity, students' activity and the strength of the formed skills and abilities.

Each student group of 30-32 students was divided into two subgroups by random selection. In the first subgroup the training (laboratory workshop and independent work) was conducted by experimental approach; in the second – using common educational methods. Lectures were read to the all students. Control and experimental groups of students obtained the same amount of educational material. The logical sequence and timing of study were maintained. Numerical determination of each criterion was made by the formula:

$$K = \frac{N}{N_{max}},$$

where  $N$  – the number of points scored by the respondent,  $N_{max}$  – the maximum possible number of points for the researched indicator.

The levels of formation were correlated with the rating system of evaluation in technical universities, therefore the reproductive (low) level corresponded to the criterion of formation  $K$  reproductive – 0.35-0.59 (unsatisfactory – F); reconstructive – 0.60-0.73 (satisfactory – E, D); productive – 0.74-0.89 (good – C, B); creative – 0.90-1.0 (excellent – A). According to this system, the inadequate level of formation if the criterion  $K < 0,35$  (unsatisfactory - F) can be assumed.

For quantitative assessment and analysis of the results of experimental education, methods of mathematical statistics were used.

These methods allowed to evaluate the degree of reliability of the conclusions drawn. To test the null hypothesis ( $H_0$ ) that there is no difference in the distribution of student groups by the levels of initial achievements, the parametric criterion Pearson  $\chi^2$  was used. The zero hypothesis consisted in the absence of differences in the values of the sample mean:  $H_0 : \bar{x}_1 = \bar{x}_2$ , where  $\bar{x}_1$  – the average score in the control group,  $\bar{x}_2$  – the average score in the experimental group, i.e. the experimental and control groups were homogeneous, they did not differ significantly in their success. Then the alternative hypothesis looks the following way:  $H_1 : \bar{x}_1 < \bar{x}_2$ . The level of significance for its verification is  $\alpha = 0.05$ . We used Student's t-criterion to solve the problem. We compared the difference between the two average samples with the magnitude of the mean square error of these data.

## 2. Results of Research.

Let's analyse the main results of the study of the cognitive, activity and motivational-value criterion of the chemical component of the professional competence of the university students. Control sections were carried out in the first lessons, after the completion of module I and after the completion of the study of discipline. The data of the comparative analysis (Table 1) indicate that the experimental teaching methodology allowed not only to improve the quality of fundamental knowledge and skills of students, to ensure their stable dynamics, but also to influence the motivational and value orientations of students, which allowed to significantly improve the formation of professional competence of future builders. There was a positive dynamics of the formation of the cognitive component of chemical competence in both the experimental and control group of students, but the qualitative indicators of this criterion after the completion of the experiment differed significantly. For example, there is a substantial increase in percentage of the students with a high (32.65%) and perfect (14.29%) level of chemical knowledge formation in the experimental groups, whereas in the control groups these indicators make up 22.92% and 10.42%, respectively. Furthermore, the proposed system resulted in a significant decrease in the number of students with unsatisfactory knowledge (2.0% in experimental groups, compared with 12.5% in the control group). Thus, the studied system stimulates the teaching of both students with a high level of knowledge and students with an underdeveloped cognitive component. In experimental groups, students were in a state of permanent pedagogical control (test technologies were applied in almost every occupation), which also positively influenced the dynamics of the cognitive competence criterion.

In the control group there was a slight increase by 2-5% in the qualitative indicators of the activity criterion, while the experimental group demonstrates a significant (1.8-2 times) improvement of this indicator. This result is explained by the introduction of interactive teaching methods that stimulate educational interest and increase cognitive activity of students. The professional orientation of tasks and experimental research contributed to the positive dynamics of the activity criterion.

**Table 1. The dynamics of the chemical competence formation of future builders**

Group	Level	<i>N</i>					
		I section		II section		III section	
		<i>n</i>	%	<i>n</i>	%	<i>n</i>	%
		Cognitive					
Control (48)	Insufficient	8	16.67	7	14.58	6	12.50
	Reproductive	19	39.58	18	37.50	12	25.00
	Reconstructive	9	18.75	11	22.92	14	29.17
	Productive	9	18.75	9	18.75	11	22.92
	Creative	3	6.25	3	6.25	5	10.42
Experimental (49)	Insufficient	12	24.50	4	8.16	1	2.00
	Reproductive	16	32.65	15	30.61	9	18.41
	Reconstructive	5	10.20	8	16.32	16	32.65
	Productive	14	28.57	16	32.65	16	32.65
	Creative	2	4.08	6	12.24	7	14.29
		Activity					
Control (48)	Insufficient	3	6.25	3	6.25	0	0
	Reproductive	17	35.42	19	39.58	16	33.34
	Reconstructive	14	29.17	12	25.00	13	27.08
	Productive	10	20.83	11	22.92	13	27.08
	Creative	4	8.33	6	12.50	6	12.25
Experimental (49)	Insufficient	8	16.33	0	0	0	0
	Reproductive	10	20.41	14	28.57	6	12.25
	Reconstructive	19	38.78	13	26.53	19	38.76
	Productive	9	18.37	13	26.53	16	33.34
	Creative	3	6.25	9	18.37	8	16.33
		Motivational-value					
Control (48)	Insufficient	10	20.83	12	25.00	10	20.83
	Reproductive	13	27.09	15	31.25	13	27.09
	Reconstructive	20	41.66	12	25.0	16	33.33
	Productive	5	10.42	7	14.58	7	14.58
	Creative	0	0	2	4.17	2	4.17
Experimental (49)	Insufficient	9	18.36	6	12.25	0	0
	Reproductive	15	30.61	14	28.57	12	24.50
	Reconstructive	18	36.74	12	24.49	13	26.53
	Productive	10	20.40	12	24.49	16	32.65
	Creative	0	0	5	10.20	8	16.32

In experimental group, it was possible to distribute the time of classroom lessons (performing more experiments, calculating tasks by rejecting traditional polls near the board, which was used in control groups) more efficiently. 87.2% of experimental group students chose work on a construction project with a problematic, creative nature, and successfully presented it, while students of control groups (67.4%) performed independent calculation works. At the initial stage of experiment, the greatest differences between control and experimental groups of students were revealed in the study of the formation of the motivation-value criterion of chemical competence. We were convinced that stable motivation of learning contributes to the achievement of high cognitive and performance indicators – components of future professional competence. A systematic explanation of the significance of the studied material for future professional activities, stimulation of cognitive activity, taking into account personal interests and inclinations in the educational process contributes to the formation of the motivational and value component of the competence of future builders. An important factor was also the focus on success ("Little success in fulfilling the task, experiment today – great success in future professional activities"). This aspect was ignored in the control groups where students were trained in traditional knowledge-focused technology. Based on experimental research of the chemical competence formation of future builders, an integrated (averaged) indicator of the formation at the beginning and at the end of the pedagogical experiment was calculated (Fig. 1). In experimental groups the number of students with chemical competence formed at the creative level was twice higher, and the number of students with insufficient level of formation was five times lower in comparison with the control groups.

Distribution of students of the studied groups at the beginning of the experiment on the level of educational achievement practically did not differ: the null hypothesis  $H_0$  was chosen.  $\chi^2_{\text{emp}} = 0.76$ ,  $\chi^2_{0.05} = 9.52$ ,  $\chi^2_{\text{emp}} < \chi^2_{0.05}$ .

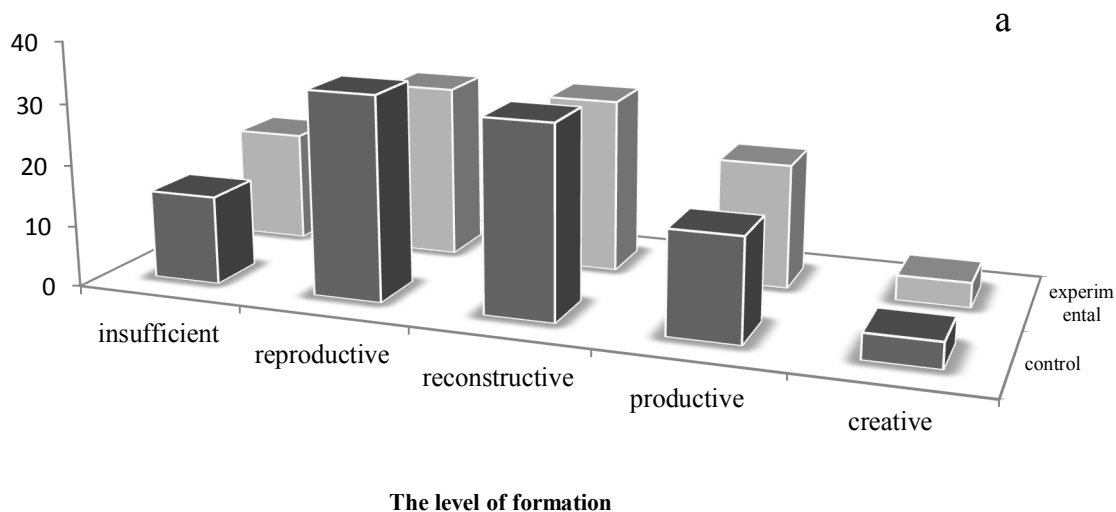
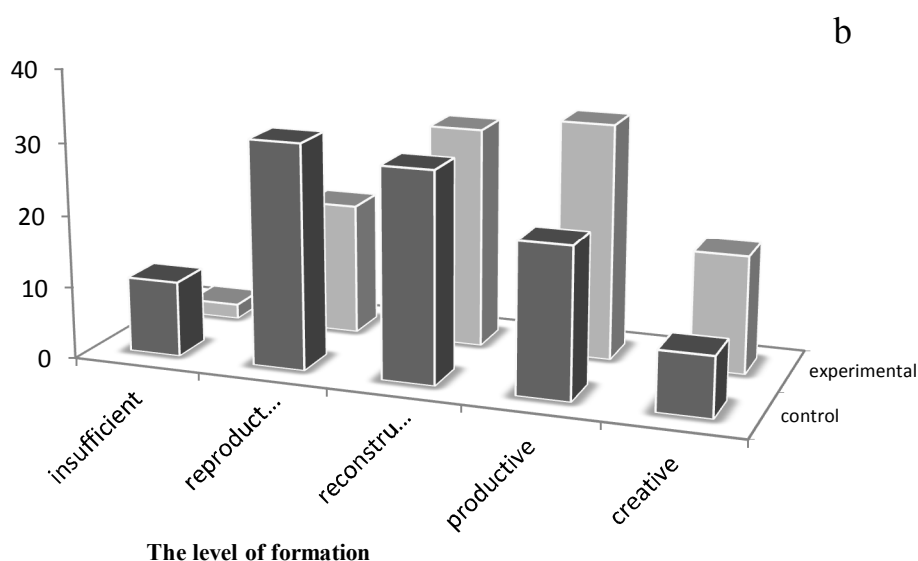
At the end of the initial stage, the comparison between the distribution of students of control and experimental groups by the levels of educational achievements was again conducted, but the corresponding distributions were compared at the beginning and at the end of the experiment. Hypotheses in this case had the form:

- empirical distributions of students of experimental groups according to the levels of educational achievements at the beginning and at the end of the experiment do not differ from each other ( $H_0$ );

- empirical distributions of students of experimental groups according to the levels of academic achievement at the beginning and at the end of the experiment are different ( $H_1$ ).

The empirical value of the criterion  $\chi^2_{\text{emp}}$  is 12.50. Therefore, inequality is fair:  $\chi^2_{\text{emp}} > \chi^2_{0.05}$  ( $12.50 > 9.52$ ).

In addition, the criterion  $\chi^2$  was used to compare the distribution of control group students at the beginning and end of the experiment. The hypotheses ( $H_0$  and  $H_1$ ) in this case were set in the same way as the definition of  $\chi^2$  for experimental groups: the absence of changes in student distributions and their availability.

Relative number of  
students, %

 Relative number of  
students, %


**Fig. 1. Chemical competence at the beginning (a) and after (b) the experiment.**

$\chi^2_{\text{emp}} = 1.30$ . Therefore, inequality is fair:  $\chi^2_{\text{emp}} < \chi^2_{0.05}$ .

Therefore, the obtained results allow assuming that the empirical distribution of control group students at the beginning and end of the experiment did not change significantly, while in the experimental groups we recorded statistically significant changes.

The table value of Student's t-criterion for the number of degrees of freedom  $\nu = (n_1 + n_2 - 2) = 95$  and the significance levels 0.05 is  $t_{0.05} = 1.98$ , and at the significance level of 0.01  $t_{0.01} = 2.62$ .

Since  $t = 3.09$  is greater than the tabular one, the null hypothesis is not confirmed, i.e. the difference between the mean scores in the control and experimental groups with a probability of 99% cannot be explained by the randomness of the sample, and, accordingly, the level of success in experimental groups is objectively higher. This indicates the effectiveness of the proposed education system. Created education system was applied annually for the first year students. The results of students' progress over the last 5 years differ insignificantly (Table 2), the value of the t-criterion is lower than the table level at the significance level of .01 (Table 3). Of course, students' success also depended on the level of education acquired in secondary school, but even students with a low initial level of knowledge could successfully master the chemistry course. According to the active use of the competent approach, the number of students at the reproductive level did not exceed 7.69%. The best results of the formation of chemical competence were determined in the 2015-2016 school year and then 25.64% of students achieved a creative level. Thus, we obtained a statistically significant confirmation of the effectiveness of the competence approach to the study of natural sciences in the technical university.

**Table 2. The formation of the chemical competence of future builders throughout 2013-2017 years**

Levels	Number of students / year									
	2013/2014 The end of experiment		2014/2015		2015/2016		2016/2017		2017/2018	
	N=49		N=54		N=39		N=55		N=52	
	n	%	n	%	n	%	n	%	n	%
Insufficient	1	2.04	0	0	0	0	0	0	0	0
Reproductive	9	18.37	3	5.56	2	5.13	2	3.64	4	7.69
Reconstructive	15	30.61	16	29.63	9	23.08	24	43.64	23	44.24
Productive	16	32.65	31	57.40	18	46.15	20	36.36	21	40.38
Creative	8	16.33	4	7.41	10	25.64	9	16.36	4	7.69

**Table 3. Results of calculation of student's t-criterion**

Group	Average exam grade	N j-th group	SS	$\mu$	$t$
Experimental	71.45	49	9916		
Group 2014/2015	70.85	54	8380	2.66	0.38
Group 2015/2016	74.74	39	8187	3.11	1.06
Group 2016/2017	72.69	55	9564	0.47	0.47
Group 2017/2018	69.04	52	9606	2.81	0.86



Achievement of the goal (increasing the chemical competence of future builders) was based on a clear understanding of the objectives of training. A set of educational-programmatic and methodological materials was developed, in particular:

- a work syllabus on the discipline "Chemistry";
- system of content modules; variants of individual tasks for incoming, current, final control, complex control works;
- a set of methodological support for students (lecture notes, methodological guidelines for laboratory classes and independent work);
- methodical recommendations for the organization of scientific work of students.

Control and experimental groups of students were given the same amount of educational material for the same time, the logical sequence of the study was maintained. The control and experimental groups significantly differed in the methodology of conducting laboratory lessons and the approach to independent non-auditing work, therefore it was assumed that the difference in the results of the training would be determined, first of all, by the parameters of the quality of knowledge of students (volume, systematicity, comprehension, depth), activity parameters (ability to carry out experimental research, operate information, present results) and motivated learning activities. The conducted experiment confirmed the expectations.

During the pedagogical experiment, a purposeful observation of the students' educational activity at classroom lessons (lectures and laboratory classes) and consultations was carried out. While analysing the educational and cognitive activity of students, particular attention was paid to the motivation, the degree of their activity and interest in learning, to the availability and effectiveness of the used learning methods.

According to the observation results, the effectiveness of the proposed training system was established. Students of the experimental groups were more active, more fluent in teaching material during oral responses, aimed not only to describe the stages or peculiarities of a given chemical process, but also to substantiate their practical significance.

Students of the experimental groups demonstrated a faster course of thought processes, the originality of thought, more often chosen the optimal approach to the solution of the tasks. Many students have developed awareness and understanding of the results of learning activities, understanding their significance for the prospects of the future profession. In experimental groups, significantly more students, who completed additional tasks, prepared also presentations and reports on their own initiative [6].

Students of the control groups, who studied under the traditional system, showed more surface knowledge. Especially big was the difference in the ability to solve non-typical tasks. Conversations with students from the control groups showed that most of them tried to memorize the content of the training material by rote; students did not understand the relationship and professional importance of individual topics of natural sciences.

In the control groups, compared to the experimental ones, there was a greater number of students with a low or no ability and desire for self-education, there was a tendency to fulfil the minimum requirements for obtaining an assessment and completion of training.

Therefore, control tests and surveys demonstrated how the chemical (natural sciences) competencies in control and experimental groups changed over time. According to the results of the observation of the students of the control and experimental groups during the classes, based on the analysis of the motivation of the educational activity and the qualitative indicators of success, the conclusions about the effectiveness of the proposed training system, which has been successfully used at the university to date, have been confirmed.

### **Conclusions.**

Based on the obtained results, one can conclude that the system of professional training of future builders, designed in the framework of credit-modular technology based on a competent approach, contributes to improving the quality of the learning process and raising the level of both substantive and professional competence. High performance was facilitated by updated programs, realized interdisciplinary connections and professional orientation, introduced innovative technologies and techniques (interactive, problem, project training) and developed system for monitoring academic achievements.

The modern labour market requires the graduate to have not only profound theoretical knowledge, but also the ability to independently apply them in non-standard, dynamic production situations, master new technologies and materials, improve their own skills and succeed. Higher education becomes more competitive by changing the direction of learning from gaining knowledge to forming of the proficiency. Moreover, this forces to change the style of teaching each subject.

Therefore, the educational guidelines can be changed: instead of "remembering the rules" to "be able to apply them", instead of "study the formulas" to "understand them", instead of "read in the textbook" to "explore experimentally." We have shown to students that chemistry is a science that allows us to understand the transformation of materials in the process of their operation and utilization, and to understand this is extremely important for a competent builder. Therefore, we have achieved the most important - not raising the level of knowledge, but increasing the motivation to study. In addition, the modern building industry, like the modern world, lives on the slogan "Teaching throughout life".

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## **USE OF THE INTERACTIVE WHITEBOARD AT PHYSICS LESSONS FOR STUDENTS OF NON-PHYSICAL SPECIALTIES OF PEDAGOGICAL UNIVERSITIES**

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**Abstract.** *The article deals with the techniques of using an interactive whiteboard at Physics lessons for students of nonphysical specialties at pedagogical Universities in Ukraine. The considerable attention is paid to the improvement of the educational process for students of nonphysical specialties by means of using an interactive whiteboard at physics lessons. The basic forms, methods and tools that lead to effective formation of students' new knowledge in physics are clearly highlighted. The modern approaches to lectures in physics using an interactive whiteboard are systematized and substantiated, which are used at lessons with the purpose of giving students new knowledge. It is shown that during such lessons, the teacher should make every effort to ensure that students do not remain passive listeners. It is noted that one of the stages of the teacher's work with an interactive whiteboard at lectures is using presentations created in Microsoft Office. The attention is drawn to the fact that the use of an interactive whiteboard allows teachers to conduct dynamic classes in physics using author's materials and the materials created by other authors on appropriate data storage devices and on the Internet. The article presents the basic tasks of teaching physics that motivate students' active work during classes and it leads to the development of their mental activity, in particular, to the formation of natural science and philosophy thinking and outlook. Some features of using an interactive whiteboard during lectures and practical classes in physics for future teachers of chemistry and biology are analyzed on the example of the topic "Physics of the atom". It has been found out that interactive whiteboards are an important tool for conducting lessons of physics. One can show presentations, demonstrations, do simulation, make records and sketches with the help of an interactive whiteboard. In addition, the use of an interactive whiteboard in classroom enhances students' activity, increases the tempo of work of both a teacher and a student and increases the motivation of students to study. It is established that the use of an interactive whiteboard in the educational process does not solve all pedagogical problems. At the same time, working with it not only facilitates the presentation of educational material, but requires the teachers and students to be more aware of the use of multimedia technologies.*

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**JEL Classification: I21, I23**

### **Introduction.**

The process of studying physics at the university should have a professional orientation aimed at training highly skilled specialists. It is difficult to predict what the graduates of a higher education institution will face in practice, with the practical use of what part of physics they will have to deal with. So it is necessary to provide such a level of training in physics for students of non-physical specialties, which will allow to create a base for mastering disciplines of the subject block and will correspond to the tasks of the current stage of reforming of the secondary and higher professional education.

At present, there is a problem of scientific understanding: on the one hand, the understanding of the technological approach to teaching the course of physics for future teachers of chemistry and biology, on the other, the understanding of the content of the course in physics with the material of fundamental, applied, practical and professional orientation. The solution of the problem is to involve students in carrying out the research tasks that will enhance the quality of their professional training.

During the research on the problem of professionally oriented training of future teachers of chemistry and biology while teaching physics, the reasons that do not allow students to reach the proper level are found out. The essential reasons for the comparatively low quality of the training of future teachers of chemistry and biology in physics can be the following: the discrepancy of the content of the discipline "Physics" for students of non-physical specialties of pedagogical universities to the present state of natural sciences; insufficient training in physics for future students; lack of effective motivation to study physics; inconsistency of the existing forms of organization of educational and cognitive activity to the needs of professional training of students of non-physical specialties at the first (Bachelor) level of higher education; insufficient reflection of the professionally oriented material in the existing content of the subject "Physics".

The solution of these problems requires enriching the content of students' training in physics based on the study of the current level of development of science and technology; introduction of the fundamental, applied, interdisciplinary, practical component in combination with professional orientation; development of the methods for teaching physics in accordance with the traditional and innovative approaches for its mastering; use of the modern information technologies of teaching. For the present, these approaches can be realized through the use of modern learning means.

An important step in the use of modern information technology is interactive whiteboards that ensure completeness of educational material presentation during the lessons. The effectiveness of their use in the classroom is no doubt, as while using them one can write, wipe, move objects, control software with the help of a marker or a finger; in other words, one can correct and reproduce educational material which together creates better opportunities for its learning by students. An interactive whiteboard is used together with a computer, a multimedia projector and multimedia products.

Some more programs are also added to the interactive board to ensure its effective use. An interactive whiteboard simultaneously works as a computer monitor and a simple board. With the help of it one can not only display information from a computer, but also realize such relationships like “teacher-computer”, “teacher-student-computer”.

The works of V. Abramov [3], V. Antonenko [1], V. Armstrong [2], D. Averis [7], S. Barnes [2], G. Bonch-Bruevich [3], S. Brown [4], P. Clarkson [5], S. Curran [2], V. Door [7], J. Gee [6], D. Glover [7], F. Hardman [11], S. Higgins [11], V. Leonskiy [1], S. Lerman [12], C. Lewin [10], D. Miller [7], S. Mills [2], T. Nosenko [3], H. Smith [11], B. Somekh [10], S. Steadman [10], R. Sutherland [2], I. Thompson [2], R. Zevenbergen [12] and others are dedicated to the introduction of interactive boards in the educational process. The use of interactive boards in the classroom of secondary schools is elucidated in the works of P. Byel’chev, T. Dovga, I. Kysla, S. Pasanova and others (for Physics lessons), E. Arshanskiy, O. Byelohvostov, L. Vorobieva, T. Derkach, L. Ignatieva, R. L’gova, E. Nechytaylova and others (for Chemistry lessons), E. Arbuzova, A. Braslavska, K. Galoyan, E. Dan’kova, T. Ivanova and others (for Biology lessons).

The aim of this article is to prove theoretically and to show in practical way the technique of using an interactive whiteboard at Physics lessons for students of non-physical specialization at pedagogical Universities.

### **1. Use of the interactive whiteboard during lectures**

Physics is one of the most important subjects for understanding the essence of the world around us. In order to form the basic principles of physics in future teachers, as well as to reveal the most interesting and complex moments, various technologies and equipment are used. The modern classroom of physics is filled with such applied stuff, which in practice explains every law and its action. The use of interactive whiteboard can help to make the learning process and perception of information easier.

The term “an interactive whiteboard” stands for a touch screen, which can be controlled not only by a computer mouse, but one can make notes by the touch of a finger or special markers. In our teaching activities, we can use two types of the interactive whiteboard: SMART Board DViT (Digital Vision Touch) 480 [9] and Panasonic UB-T580 [8]. We have lectures with the interactive whiteboard SMART Board DViT 480 and practical classes with the interactive whiteboard Panasonic UB-T580, because in the classrooms where there are such interactive whiteboards are designed for lectures and practical classes correspondingly. Let us give some examples of using an interactive whiteboard in practical classes of Physics for future teachers of Chemistry and Biology.

One of the stages for a teacher in lectures with the interactive whiteboard is to work with presentations created in Microsoft Office. The use of such presentations enables the teacher to use additional tools, namely in the mode “Pointer” and “Magnifier”.

Equally important for the teacher is the interactive whiteboard with the opportunities to work in the mode of “white” board. Using this mode we can make all the necessary notes

without chalk during the sessions. In addition this function makes it possible to save previously created notes and use them in the next classes.

Finally you can use educational material created with the help of the programs in the interactive whiteboard. This may be material from own funds or from the Internet.

To successfully intensify the students' learning activity in Physics lessons we use such program to the interactive whiteboard SMART Board DVit 480:

- notebook (SMART Notebook);
- virtual Keyboard (SMART Keyboard);
- additional (marker) tools (Floating Tools);
- video recorder (SMART Recorder);
- video player (SMART Video Player).

In addition to these programs, there are other software adapted to work together with SMART Board. The most popular are the three main applications of Microsoft Office: Word, Excel, Power Point.

It must be taken into account that the software was developed for the group work on the interactive whiteboard, which added some specificity to the work of the teacher during the lessons and provided an opportunity to create a huge number of various interactive tasks done in the classroom as well for students' independent work.

Using the interactive whiteboard we are able to carry out dynamic classes of Physics with author's learning aids and those created by other authors on the proper carriers and in the Internet. Let us give some examples using the interactive board during lectures and practical classes in Physics for the future teachers of Chemistry and Biology.

The students of these specializations are limited with formal knowledge in Physics. As a rule they usually have some knowledge but it is limited with the educational material within school textbooks in Physics. They cannot use the knowledge received at school for applied and practical purposes. Therefore the main task of the teacher is to find such forms, methods and tools that could lead to the effective mastering of new knowledge by students.

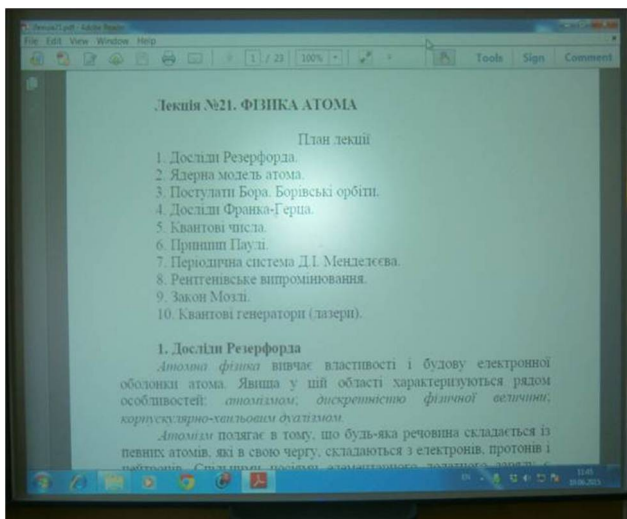


Fig. 1.

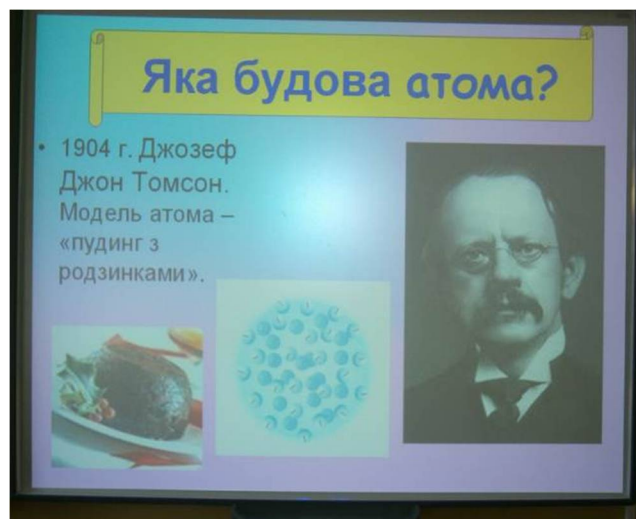


Fig. 2.

All lectures in Physics stand for giving new knowledge to students. Therefore, during the lecture a lecturer must make every effort to ensure that students do not remain passive listeners. The main objective of the lectures for teachers is the creation of active work of students in class that will lead to the development of intellectual activity, including the formation of natural scientific thinking and outlook. As an example let us take the topic “Physics of Atoms”. The topic of the lesson is given on the interactive whiteboard and the students are introduced to the issues that will be considered in class and the issues for self-independent study (Fig. 1). We begin our lesson with the issue of “Rutherford’s Experiments”. We focus the students’ attention on the first model of the atomic structure suggested by the English physicist J.J. Thomson in 1904 (Fig. 2).

Rutherford used for this purpose a flow of positively charged  $\alpha$ -particles emitted by some radioactive substances (such as polonium) and have the charge  $+2e$  and mass which is  $6,64 \cdot 10^{-27}$  kg (Fig. 3-4). Passing a beam of  $\alpha$ -particles through a thin gold foil, Rutherford found out that a quantity of particles deflected to a very significant angle from the original direction, while the others even bounced off the foil.



Fig. 3.

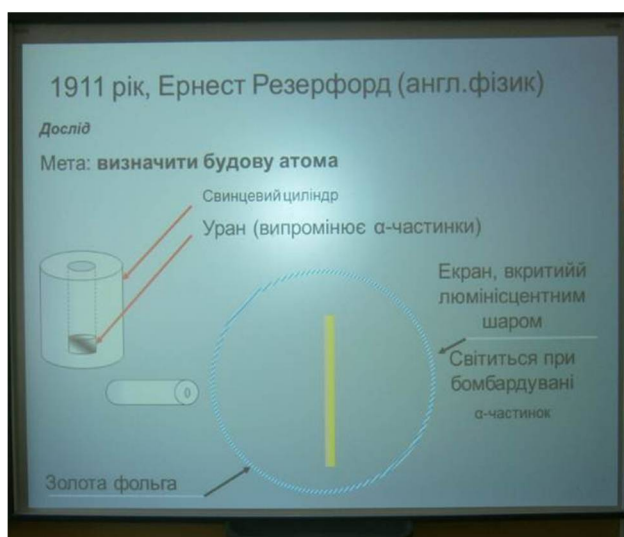


Fig. 4.

The simplified diagram of Rutherford's experiments is shown in Figure 5. The source of  $\alpha$ -particles was placed inside the lead block with a narrow channel. All  $\alpha$ -particles except those which moved along the narrow channel, were absorbed by lead. A narrow beam of  $\alpha$ -particles was falling on the gold foil perpendicular to its surface. Behind the foil there was a movable screen covered with fluorescent substance;  $\alpha$ -particles having passed through the foil caused flashes on the screen. This apparatus in the vacuum enabled to observe  $\alpha$ -particle scattered by angle  $150^\circ$ . It is important to emphasize that this result can not be explained within the model of J. Thomson because the positive charge of the atom distributed throughout its volume could not so much affect the massive and fast  $\alpha$ -particles.



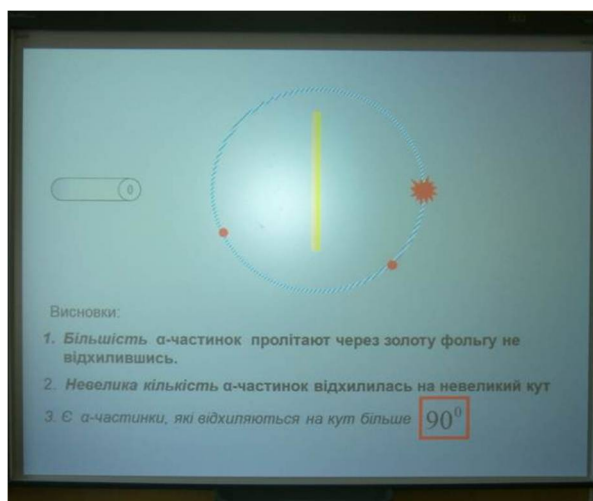


Fig. 5.

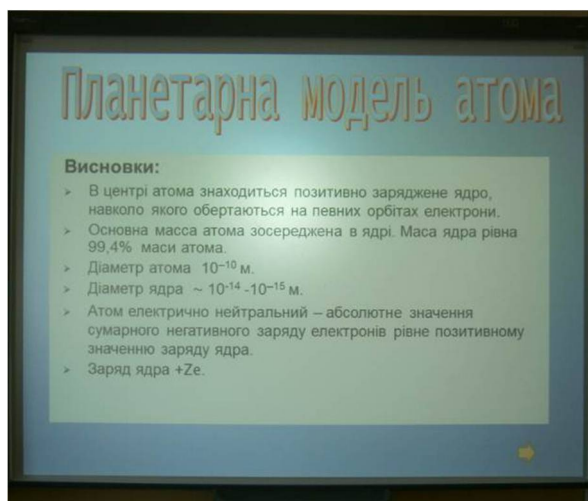


Fig. 6.

Based on the conclusion mentioned above we start the next issue “Nuclear Model of the Atom”. In this matter, the students pay attention to the fact that summarizing the results of the experiments, Rutherford proposed the nuclear (planetary) model of atomic structure in which an atom looks like a miniature solar system. According to this model, the whole positive charge and almost the entire mass of the atom (99.4%) are concentrated in the atomic nucleus. The nucleus size ( $\sim 10^{-15}$  m) is very small compared to the size of an atom ( $\sim 10^{-10}$  m). Around the nucleus in the closed elliptical orbits the electrons are moving and creating the electron shell of an atom. The nuclear charge is equal to the total charge of the electrons (Fig. 6). Then we offer the students to watch the video about the planetary model of an atom proposed by N. Bohr and E. Rezerford (Fig. 7).

After having watched the film we should make a generalization, namely we pay the students' attention to the fact that the motion in its orbit, like any curvilinear motion, is a motion with acceleration. According to the laws of classical electrodynamics, the curvilinear motion must be accompanied by light emission of corresponding frequency. Therefore, in the motion of an electron around the nucleus, an atom must continuously radiate energy. But the reduction of energy leads to a reduction of the radius of the electron orbit, thus the electron must move in a spiral approaching the nucleus. And since the velocity of the electron does not change, the circular frequency of its rotation might be increasing and the frequency of radiation should be continuously increasing, it means that the radiation spectrum might be continuous. Continuously approaching the nucleus the electron should fall into the nucleus in a short period of time, thus Rutherford's model of the atom is an unstable system. As a conclusion we should mention that atoms are really very stable systems and have linear but not continuous emission spectra. Having mentioned the two previous issues at, we demonstrated the use of the interactive board as a simulator of slides and video episodes. We'll show the use the interactive board in the mode of “a white board” while explaining the next issue “Bohr's Postulates. The Orbits of Bohr” to the students. We start this issue with the next atomic model proposed in 1913 by N. Bohr, a physicist of the twentieth century.



Fig. 7.

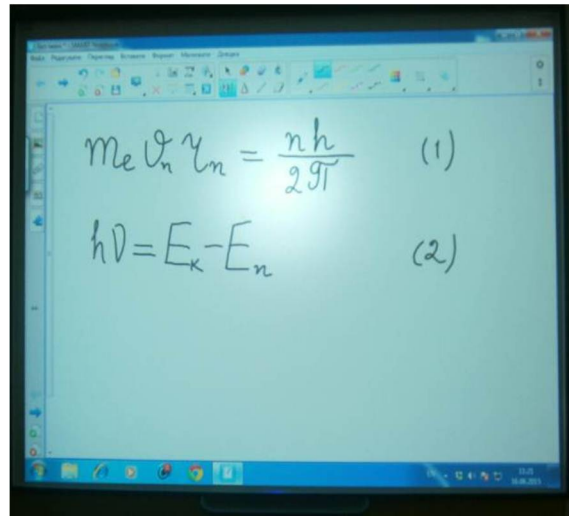


Fig. 8.

He introduced the idea of a quantum theory to the nuclear model of Rutherford and developed the theory of hydrogen atom which was fully confirmed experimentally. Besides the presentations and video proposed above we explain the educational material using the corresponding notes on the interactive whiteboard and student workbooks. It should be emphasized that on the basis of the Bohr theory of the atom there are two major rules called postulates. The lecturer gives the first postulate and writes the condition on the board which corresponds to the orbits of the stationary states of electrons in an atom (Fig. 8):

$$m_e v_n r_n = \frac{n h}{2 \pi}, \quad (1)$$

where  $r_n$  is the radius of the  $n^{\text{th}}$  orbit,  $v_n = \frac{1}{2} v_0$  is the electron velocity in this orbit,  $m_e$  is the mass of the electron,  $m_e v_n r_n$  is momentum on this orbit,  $n$  is an integer called principal quantum number of the electron ( $n \neq 0$ ).

Having given the definition of the second postulate, the lecturer writes the formula for the quantum of energy which equals to the energy difference between the stationary states of electrons before ( $E_k$ ) and after ( $E_n$ ) the motion (Fig. 8):

$$h \nu = E_k - E_n. \quad (2)$$

These conclusions should be well kept in mind while solving problems. As we can see in Figure 8, in the mode of “a white board” we have the opportunity to write with a marker or a finger. In addition we can reduce these notes (Fig. 9), we are able to fold, to move them in a comfortable side of the board (Fig. 10), to save and to restore the notes at any time. Combining traditional teaching with the mode of “a white board” we draw students' attention to the fact that the emission occurs when the atom moves from the state with higher energy to the state with lower energy (Fig. 11a). Atom energy absorption is accompanied with its motion from the state with less energy to the state with more energy (Fig. 11b). Since these atom motions from one state to another in a schematic plan does not cause any difficulty, we do their sketches in the mode of “a white board”.

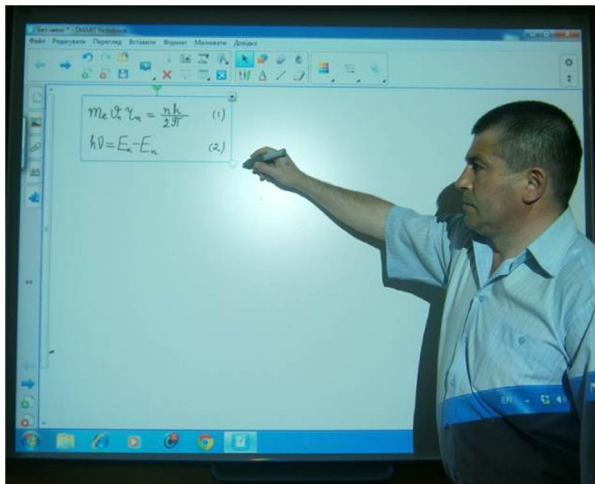


Fig. 9.

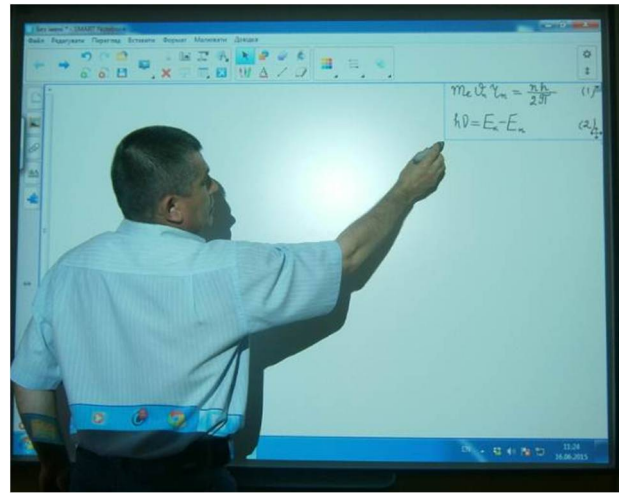


Fig. 10.

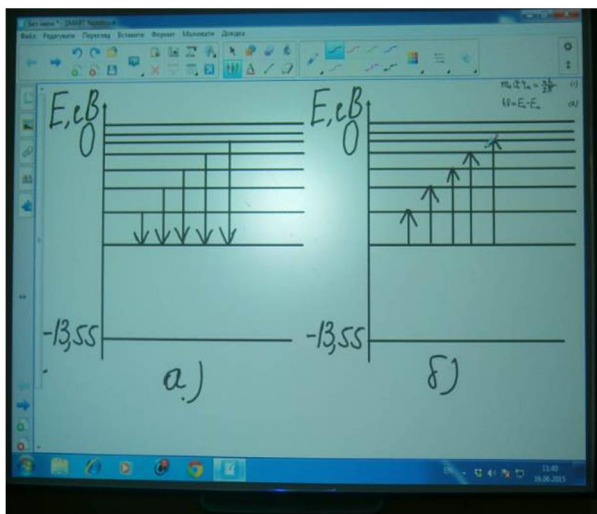


Fig. 11.

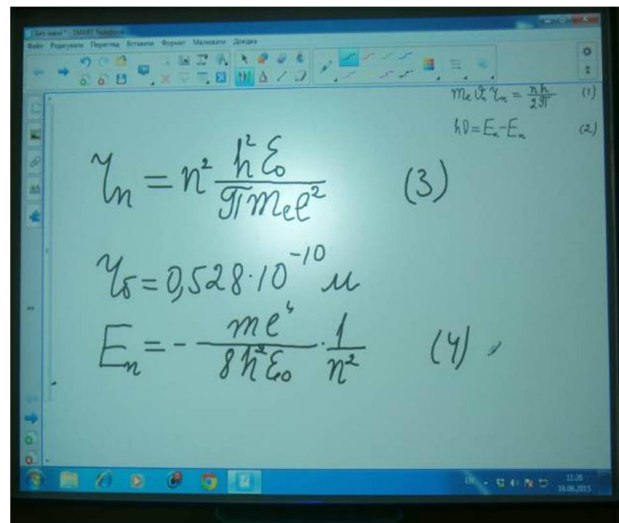


Fig. 12.

Continuing the explanation of the educational material we draw students' attention to the use of the Bohr postulates. We emphasize that due to their use we can make possible to calculate the circular electron orbits of hydrogen atom and successfully explain some patterns in the spectrum of its emission. On the board we write the expression of the Bohr radius (Fig. 12):

$$r_n = n^2 \frac{h^2 \epsilon_0}{4 \pi m_e e^2}, \quad (3)$$

where  $e$  is the charge of electron and proton,  $\epsilon_0$  is the electric constant.

We do not insist on obligatory derivation of this formula (3) and the following formula (4), and we write them in the final form.

We say that, if we assume  $n=1$ , then we get the value of the first Bohr radius, which is a unit of length in atomic physics:  $r_1 = 0,528 \cdot 10^{-10} \text{ m}$  (Fig. 12).

We write the energy in any energy level as a formula (Fig. 12):

$$E_n = - \frac{m_e e^4}{8 h^2 \cdot \epsilon_0} \frac{1}{n^2}. \quad (4)$$

After having written the formula (4) we conclude: the total energy of an electron in a stationary orbit is inversely proportional to the square of its number.

It is important to emphasize that the Bohr theory can explain the presence of linear spectra generated in the hydrogen atom in the motion from one stable state to another (Fig. 13). If the drawings are simple, we make their sketches in the mode of “a white board” and complicated ones are made in the mode of “Slide” (see. Fig. 13).

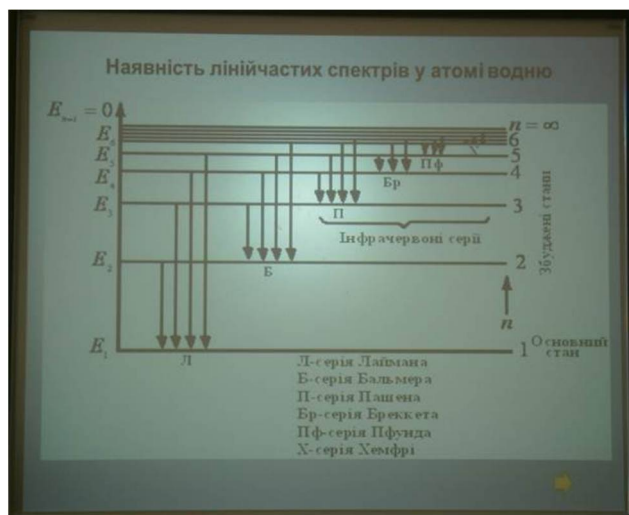


Fig. 13.

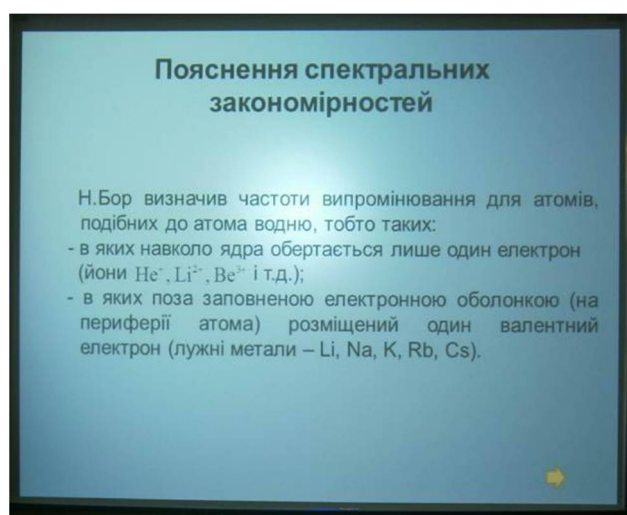


Fig. 14.

Finally we draw students' attention to the fact that similarly Bohr defined the frequency of the radiation for atoms like hydrogen atoms: ions -  $\text{He}^+$ ,  $\text{Li}^{2+}$ ,  $\text{Be}^{3+}$  etc.; alkali metal - Li, Na, K, Rb, Cs (Fig. 14). Thus, while learning this topic by the students we briefly showed the use of the interactive board in lectures. The next stage of our article is to demonstrate the use of the interactive board in practical classes.

## 2. Use of the interactive whiteboard during practical classes

Together with the lectures in physics, where the main aspect is the use of multimedia, it is also important to consolidate and use the theoretical knowledge, in particular, in practical lessons while doing tasks, where there is a reproduction of real phenomena and processes observed in nature. These features of natural patterns, we can demonstrate with the help of an interactive whiteboard in the form of slides, video clips, etc. While doing tasks with the help of the multimedia whiteboard, we can show pictures in both static and dynamic mode, to view video clips of various physical, chemical and biological phenomena and processes occurring in nature. The pictures, which in the process of solving tasks need to be completed, play an important role. This can easily be done using an interactive whiteboard. The formation of physical notions, learning physical laws and theories is a long process that requires not only the initial perception of knowledge, but their systematic assimilation during practical classes. The use of the interactive whiteboard in practical sessions allows to make them more modern and visual. The practical sessions of this type can develop cognitive capabilities of students and encourage them to the active participation.



Using interactive forms of learning in practical classes a teacher has the opportunity to give visual examples of applied and practical use of physical phenomena and laws. These visual, dynamic and interactive approaches allow students to think independently, analyze physical processes, show resourcefulness and ingenuity. It is known that the physical notions are formed as a result of solving tasks. Therefore, while solving tasks with the help of the interactive whiteboard in practical classes, we should form interest in the student, as well as during the lectures. It is necessary to disclose specific approaches to solving tasks. It is especially important that this approach (use of an interactive whiteboard) should take a limited place and does not replace the other approaches. Teaching experience shows that solving tasks not only with the traditional approach, but also with the use of multimedia provides an effective study of the teaching material, its mastering, training, control and directs each student to do a differentiated choice of tasks in accordance with student's level of training. Each practical class in physics for future teachers of chemistry and biology should meet the following requirements: a clear statement of the didactic and educational goal, establishing a logical connection between the objectives of each lesson, the general tasks of teaching and education in training of a specialist; scientific choice of teaching material for the lesson corresponding to the level of students' development; the focus of the class on the formation of natural science thinking; optimal combination of methods and means of teaching; organization of individual and group work of students.

In the process of solving tasks the students master the methods of researching various natural phenomena, get acquainted with new progressive ideas and views, discoveries of domestic and foreign scientists, the achievements of science and technology. Using an interactive whiteboard on practical physics classes helps students develop new skills and abilities, including the ability to design, make decisions and do creative work, and maintain a high level of innovation. The correct choice of educational tasks is very important; they determine the rationality and compactness of the use of the interactive whiteboard. Successfully selected tasks promote the development of interest in self-acquisition of knowledge, develop critical thinking, and help master complex phenomena in society and nature for future teachers of chemistry and biology. Of course, it is worth remembering that doing tasks and exercises for these specialization serves as preparation for students' future practice, use of the acquired knowledge and skills for the study of professional subjects. For example, let's take the task of the chapter "Atomic Physics". Solving the problem of Physics is made in the traditional sequence. Besides reading the conditions of problem for the entire audience, we show its condition on the interactive board: "Rutherford observed that in any coordinated attack with nucleons Cu of  $\alpha$ -particles with energy of 5 MeV, the last ones fly back with energy of 3,9 MeV. Identify the mass ratio of core Cu and  $\alpha$ -particles" (Fig. 15). After reviewing the condition of the problem, we make a preliminary analysis of the problem: we get to know the unknown terminology, revise if necessary the appropriate material and so on. After that a teacher calls one of the students to analyze the conditions of the problem, find out its physical content, the way of finding the solution.

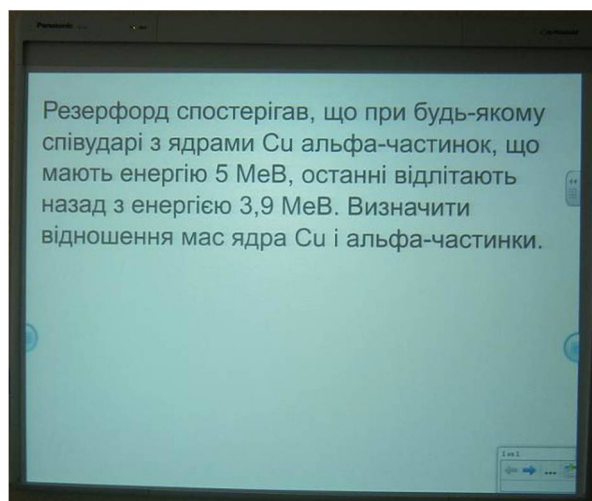


Fig. 15.

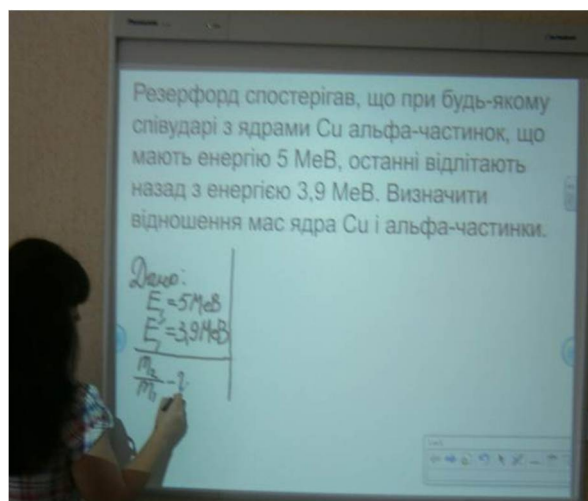


Fig. 16

The student writes briefly the condition of the problem, if necessary he reduces these conditions to the system of CI units (Fig. 16). For a better understanding of the problem it is advisable to do a schematic drawing, to demonstrate an experiment, watch video with such a phenomenon, process, law and so on. All these elements are very easy to observe while using the interactive board (Fig. 17). The proposed problem has a large solution so a part of the material written on the whiteboard can be saved, reduced (Fig. 18) and transferred to a comfortable place for us on the board (Fig. 19), or we can go to a new page.

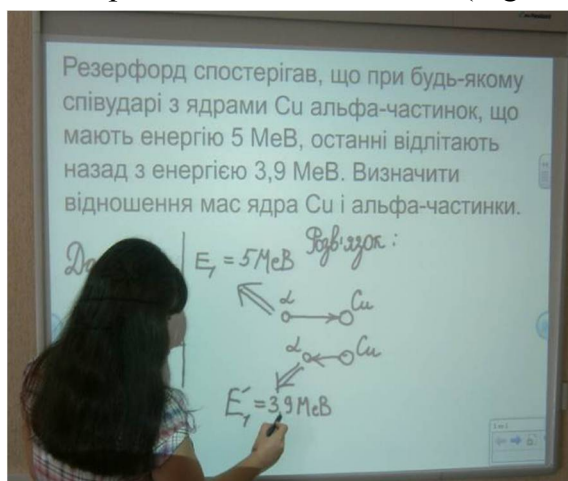


Fig. 17.

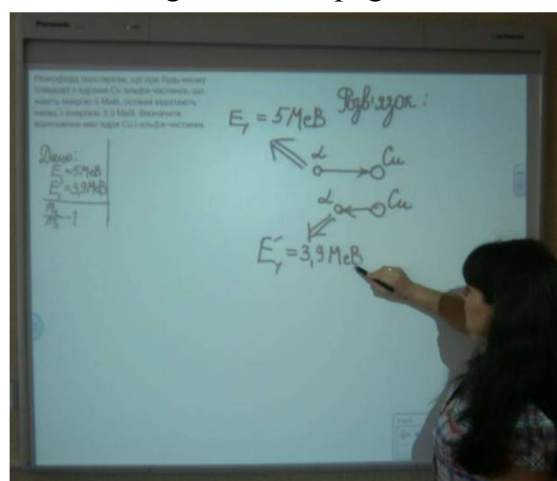


Fig. 18.

In a common blackboard we wipe the notes and in order to return to them we need to write these notes again on the blackboard. In the case of using the interactive board, we can use the notes once written at any time. This approach can be used in any part of the course in physics. The calculated tasks of such content should also be offered to master the material while testing students' knowledge and skills. We also realize: there is a specific problem that students, while conducting numerical calculations using the innovative approach, do not always overlook the essence of the physical problem. In spite of the foregoing, within this innovative approach, not every student can understand the general physical situation, which is in the condition of the task, clearly imagine the physical process or phenomenon, formulate a sequential solution of the task and only then receive an answer to the task.

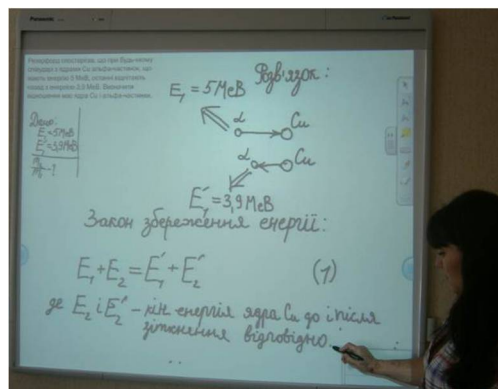


Fig. 19.

Before solving tasks using the interactive whiteboard, we recommend discussing the issues related to solving this task. While searching the answers to the tasks, the students develop a general vision for solving and analyzing the physical laws and phenomena that underlie them. It should be noted that the use of the interactive whiteboard when solving physical tasks leads to saving teaching time at lesson, allows the teacher to automatically compute the data presented in tables, graphically to represent physical processes and phenomena, and to analyze and compare the results obtained by using the graphs, diagrams. While solving the problem at the interactive whiteboard, a student starts to face some difficulties that he cannot figure out or imaginary restore a phenomenon, process, law, etc., he can use the appropriate software or the Internet, which can show it in the form of slides or video. Having received the appropriate information the student continues to solve the problem. The combination of such possibilities of the interactive whiteboard is important for the development of students' cognitive abilities. With the appropriate software for interactive boards we can also conduct laboratory sessions.

It can be stated that when using the multimedia approach in solving tasks, students' knowledge is specified, the conditions are created for understanding the essence of phenomena and processes of nature. The physical theories, concepts and quantities reach the realistic meaning; the students develop the ability to think, establish causal relationships, find out the main thing and reject non-existent. Solving tasks with the help of the interactive whiteboard allows students to be aware of the knowledge, deprive them of formalism.

The topical issue in studying the course of physics by future teachers of chemistry and biology is its relationship with other sciences: it is important not only the knowledge but also its summary in the general picture of the world. This is of great importance for students' formation of the scientific worldview and for understanding the complex problems of the present: social, environmental, economic. While studying the course of physics by the students of non-physical specialties of pedagogical universities, in our opinion, it is necessary to consider also the following circumstances: the increasing role of physics in scientific and technological progress; the interdisciplinary connections and their obligatoriness for obtaining professional basic education.

### **Conclusions.**

We investigated the educational and cognitive activity of the future specialists in chemistry and biology in terms of the computer-based approach based on the use of the interactive whiteboard. It was clarified that teaching the special subjects, the use of teaching methods and the methods of mastering the educational material can be supplemented and improved by the appropriate use of the information technologies. This is often achieved by means of using the interactive whiteboard and the corresponding software package that is consistent with the general teaching methodology. This package of applied computer programs gives the teacher and students a guided set of training exercises and tasks.

It is found out that existing multimedia boards are convenient not only for students in studying, but also help teachers in multimedia education, as they improve the organization of the educational process and directly help to provide educational material of reference, applied, practical and professional content. The use of the interactive whiteboard while training future teachers of chemistry and biology as a basis for optimization of the educational process during the study of physics is considered. In particular, considerable attention is paid to the use of the interactive whiteboard during lectures and practical classes.

The organization of the educational and cognitive activity of the future teachers of chemistry and biology with the help of an interactive board during the study of physics was studied and the following tasks were solved: the methodical features of the motivation development in educational activity of students of natural sciences in pedagogical universities; the methodological approaches to the formation of natural sciences competence in physics; systematic improvement of the methodology of the organization of the educational and cognitive activity with the use of multimedia, which leads to productive mental and practical activities of students in the process of mastering the educational material. Thus, an interactive whiteboard is an important tool for carrying out lessons. With the help of an interactive whiteboard we can give presentations, demonstrations, simulations, make notes, sketches, etc. In addition, using interactive whiteboards in the classroom helps students to improve their activity, to increase the teacher's pace of work as well as students' and to form motivation of students to learn. But the use of an interactive whiteboard in the educational process does not solve all educational problems. Interactive whiteboards do not only help to present educational material, but they require a high awareness of multimedia technology from teachers and students.

The conducted research on the problem of using an interactive whiteboard during lectures and practical classes in physics for future teachers of chemistry and biology does not reveal all aspects of the organization of the educational process and the qualitative training of specialists-naturalists. In the future, the research on this issue can be carried out in order to improve the content and system of teaching physics, taking into account the use of the interactive whiteboard during laboratory work, individual tasks and independent work.



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**TOURIST INTERNET ADVERTISING: CURRENT STATE AND TRENDS  
OF DEVELOPMENT**

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**Abstract.** *The article deals with the features of the tourist Internet advertising. Different approaches to the interpretation of the concept "Internet-advertising" have been presented. Parameters for comparing traditional and Internet advertising have been highlighted. The most typical types of tourist Internet advertising in Ukraine (contextual, banner, mobile, native, advertising in social networks) have been investigated. Examples have been given. The level of popularity of using mobile phones in travel planning and booking of air tickets and hotels has been established. The volume of the advertising and communications market of Ukraine and the structure of Internet advertising have been analyzed. The services of the most popular reservation systems in Ukraine have been investigated. On the basis of aggregation of search queries, the rating of the most popular foreign and domestic destinations among Ukrainians has been formed.*

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**JEL Classification:** L83, L86, M37

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**Introduction**

Diversification of Internet technologies has stimulated their transformation from means of automation of production to the platform of business development. Active development of the Internet contributes to the formation of network formations that significantly affect the scope of commodity circulation, so the Internet is not only a place of information exchange, but also a platform for the sale and purchase of both electronic content and material goods [1, p. 1011].

Internet advertising is important for the tourism industry, because it provides a wide audience and is characterized by a "low entry threshold" for creating advertising campaigns, which is especially important for travel agencies. The coverage of the target audience is confirmed by the following indicators of the development of the Internet: the number of Internet users in 2018 increased by 7% compared with the previous one and amounted to 4,021 billion people; the number of users of social networks in 2018 amounted to 3,196 billion, which is 13% more than in 2017; the number of mobile phone users increased by 4% in 2018 and amounts to 5.135 billion people. It should also be noted that not only the quantitative indicators, the number of users increased, but also the qualitative ones - the time of staying in the network. As a result, we can state that as a person works, he (she) creates his (her) habitat and recreation environment on the basis of interaction with the Internet. Buying clothes, food, home appliances, furniture was just as commonplace as a trip to the store, but the obvious advantage is time saving. Recent Global Web Index data shows that the average Internet user spends about 6 hours a day as a result of interacting with Internet devices. In the scale of all Internet users we receive 1 billion years online in 2018. Therefore, advertising for travel services on the Internet is a time requirement. Price advantages, as well as simplified creation and editing processes, turn Internet advertising into a unique platform for the development of tourist business.

Thus, the chosen direction of research is relevant, due to the need to increase the sales of travel services and the annual increase in the number of Internet users.

### **1. The essence of the "Internet advertising" concept and its most common types in the field of tourism**

According to the Law of Ukraine "On Advertising", advertising is information about a person or a product, distributed in any form and any way, and designed to form or support the awareness of consumers of advertising and their interest in such a person or product [2]. The last edition of the above-mentioned law does not include the term "Internet advertising", but the development of this segment will oblige clarification of the standard and legal concepts and additions to the law.

The definition of internet advertising is found in the works of O.Sukhariev, N.Kurmanov, K. Melkovska, D. Shakhova, Sh.Rivers, A. Shlosser, S. Shavit, A.Kanfera, P. Deshval. Let's consider more in detail what substantive content of this concept is contained in the works of the above-mentioned scholars.

O. Sukhariev, N. Kurmanov, K.Melkovska believe that Internet advertising is the next stage in the evolution of advertising, where there is a possibility of profound influence on the consumer, constant analysis of visit and impression statistics, as well as changes during the advertising campaign [3. p. 243]. A. Shlosser, S. Shavit, A.Kanfer considered Internet advertising as any form of commercial content that is available on the Internet, developed by enterprises to inform consumers about a product or a service [4, p. 36].

According to D. Shakhov, Internet advertising is a purposeful communicative activity, based on a comprehensive interaction in the Internet environment, in order to increase the interest and actions to the object of advertising, on the one hand, and to make a profit or get the benefits - on the other hand [5, p. 275-276]. According to Shane Rivers: "Internet advertising is a process of marketing services or products on www (WorldWideWeb), implemented through search engines, banner ads on the site, e-marketing and allows a product or a service to reach instantly the target audience [6, p.10].

P. Deshval considers Internet advertising as a type of mass communication based on a traditional form of advertising, but develops his own communication strategies in inreaction with new technical and media requirements [7, p. 201]. Scientists R. Zef and B. Aronson in the second edition of their book "Advertising on the Internet" refer to two definitions: "Internet advertising is the convergence of traditional advertising and marketing direct response"; "Internet advertising is the convergence of branding, distribution of information and sales - all in one place" [8]. Internet advertising is the notification of consumers by various means, presented on the Internet, about the activities of the company, aimed at achieving the ultimate goal - the sale of goods and services [9].

A meaningful analysis of the above interpretations shows that the overwhelming majority of scholars in defining the definition of "Internet advertising" emphasize firstly that Internet advertising is a consequence of the development of traditional advertising; secondly, it activates the interest of the target audience, and thirdly, it contributes to making profits on the basis of sales of goods and services. Thus, we can argue that Internet advertising is a transformational type of traditional advertising driven by the evolution of information and media technologies that increase the sales of advertising objects.

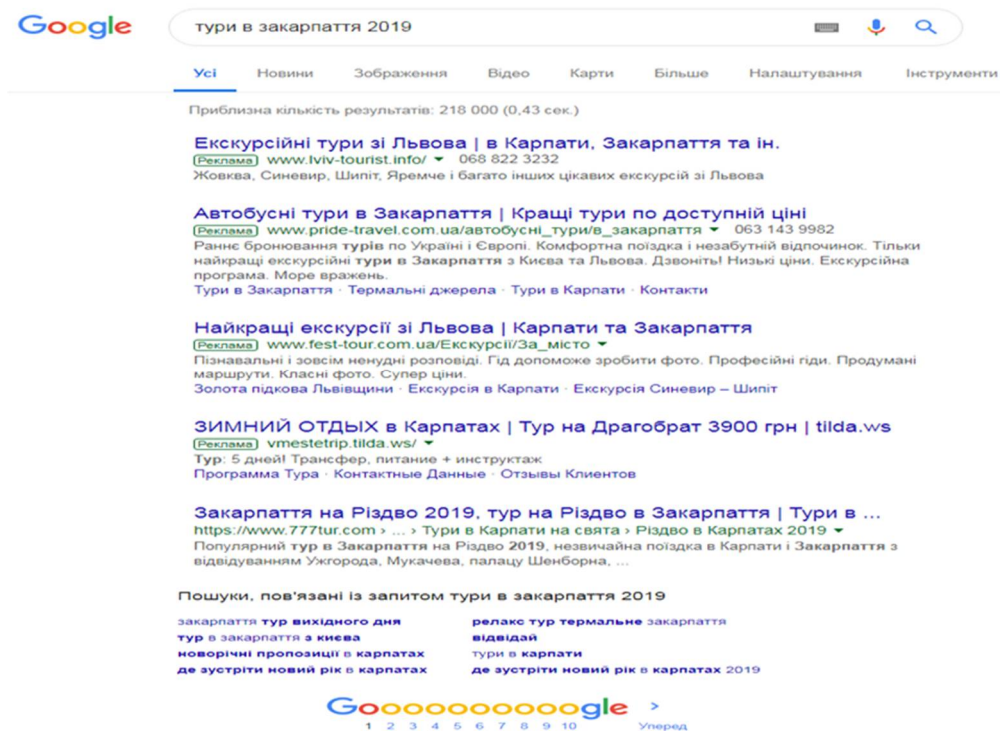
Comparative characteristic of traditional and Internet advertising, shown in table 1 demonstrates the advantages of the latter. In general, the benefits are global coverage, automation of monitoring, minimum costs for changes and corrections, and focusing on the target audience. Taking into account the above characteristics, the tourist Internet advertising promotes the sales of tourist products and services. Using online advertising provides a competitive edge in terms of better understanding of customers, adding value to products, expanding sales channels, and increasing sales through marketing campaigns, involves building and managing websites for expanding customer base, sales, and post-sales services. Advertising means on the Internet are extremely diverse, they cover a lot of methods and forms of interaction with the consumer. For the tourist industry of Ukraine, the following types of Internet advertising are the most typical: contextual, banner, mobile, native and advertising in social networks. Let's look more closely at these types. Contextual advertising involves the creation of advertisements that will be displayed in search engines for specific advertisers for queries.

**Table 1. The comparative characteristic of traditional and Internet advertising**

Parameter	Internet advertising	Traditional advertising
Peculiarities of coverage	A large number of tools for attracting consumers. A short time of impact on the target audience. Possible broad reach, all over the world.	The tools are sufficient, the coverage is limited to the place of distribution of advertising, but advertising is remembered for a longer time.
Monitoring	Performed automatically, the results are available at any time in online mode.	Complicated: There are no accurate methods for tracking and evaluating results.
Show time	Days, hours or 24/7 set by the advertiser.	Advertising on TV and radio is broadcast at a certain time, which after the purchase of an advertising package can no longer be changed. Prints are published periodically by the publisher.
Changes and corrections	Can be done in minutes and at a minimum cost.	Not always possible, they require a lot of time and extra money.
Targeting	Advertisements can be shown to a specific target audience.	Offline advertising broadcasts broadly, rigid targeting is not possible.

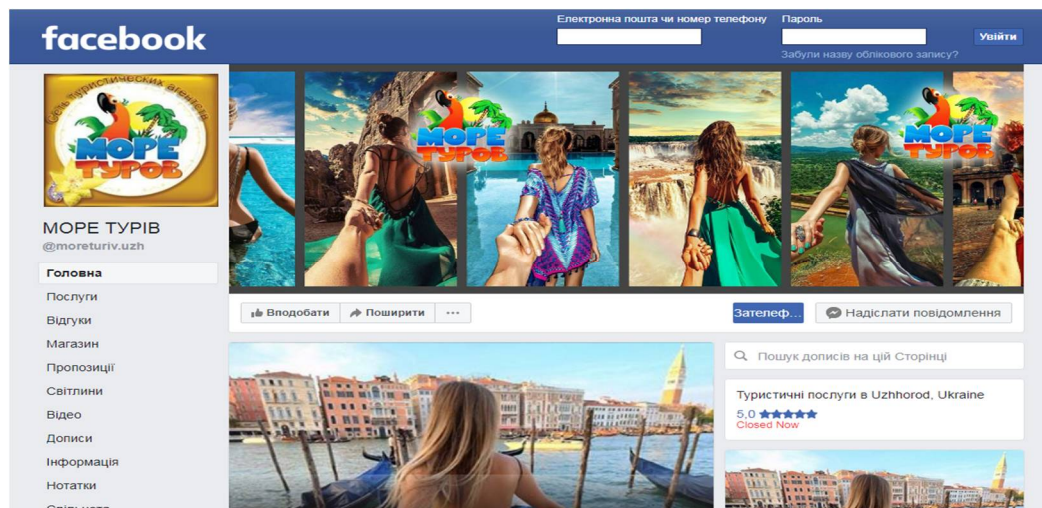
*Source: made by the author according to [9-10]*

To do this, the travel company must register in the system of contextual advertising of the selected search engine, deposit money on the account, create advertisements and adjust their display; money is automatically withdrawn from the account on the fact of the ad transition to the site. As we see from Figure 1, according to the typical request for a tourist trip in Transcarpathia, one of the most popular destinations in Ukraine, 218,000 results were obtained. Along with the given query, the system offers similar keywords (for example, Transcarpathia weekend tour, trips to the Carpathians and others) and a list of pages. Contextual advertising on the first page of the search engine is the most popular, since the proposals of these tourist enterprises will be seen by potential tourists in the first place. For companies that specialize in typical popular tourist destinations, it is advisable to buy premium content advertising packages that include hundreds of key queries in popular search engines. Advertising in social networks is the easiest and cheapest kind of tourist Internet advertising. The world's most popular social network is Facebook with 2200 billion active users a month, Instagram second with 800 million, Qzone - 563 million active users. In Ukraine, the leader among social networks is also Facebook, which covers 43.5% of users. The second place is VKontakte network - 22.89% of users, on the third place is YouTube - 13.94% of users. The main feature of tourist advertising in social networks is the constant updating of information and communication with subscribers, the answer to the questions. The sign of the effectiveness of this advertisement are positive comments. Figure 2 shows a sample page in the Facebook social network of the travel agency "More Touriv".



**Fig. 1. An example of a tourist-based contextual advertisement in Google's search engine in Ukraine**

Reviews of the work of this company are positive which is confirmed by obtained points.



**Fig 2. An example of advertising in the social network Facebook used in Ukraine**

A more expensive version of advertising in social networks are customized posts of top bloggers, who write a positive feedback for the agreed payment about the tourist service with a link on the company's website. The next type of popular Internet advertising in Ukraine is banner advertising, which is a static or animated image, when clicked on which client goes to the advertiser's site. Basically, banners are located on sites with high attendance.

Figure 3 shows examples of travel banners on the popular Ukrainian weather website. Existing tourist banners show the same offer, but are presented in different ways in order to attract the attention of different segments of consumers.

Due to the large number of flashing banners, people pay less attention to them and there is the effect of "banner blindness". Therefore, tourist companies diversify the types of banners: stretching, media, pop-anders, banners-imitation. You can increase the visibility of travel banners by tracking eye movement while visiting sites.

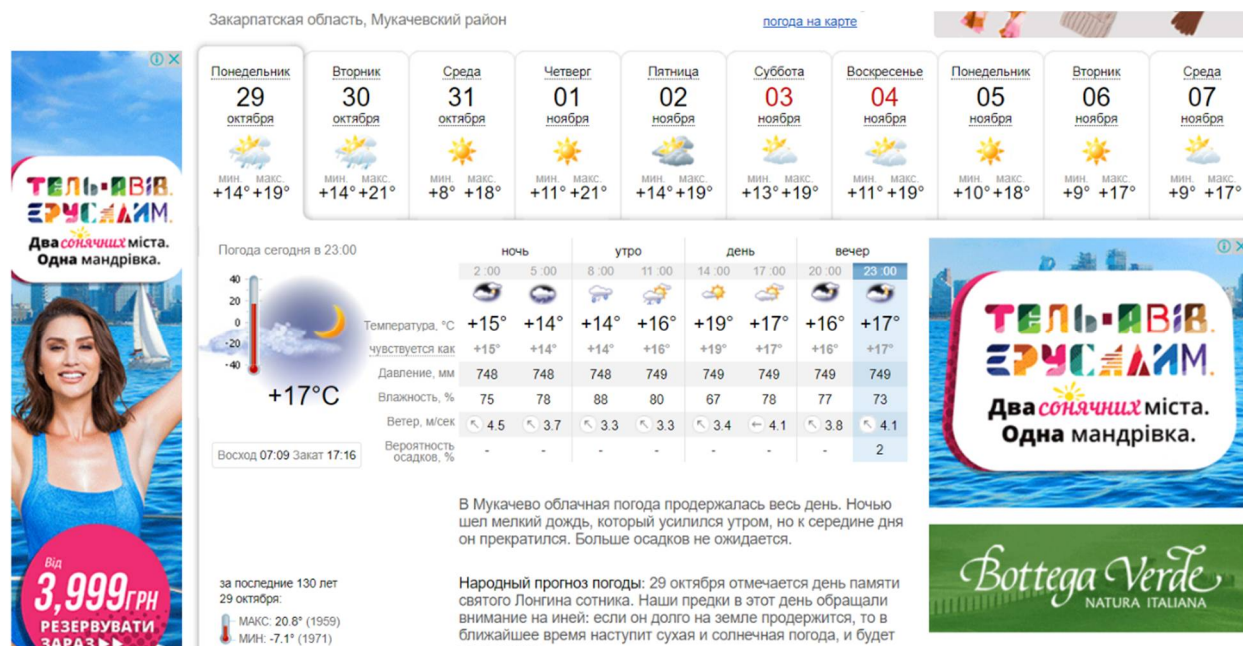


Fig 3. Tourist banners in Ukraine

Native advertising is an advertisement naturally inscribed in the context of any message interesting for a user that is not immediately recognized as an advertisement and therefore is not ignored [9]. The native tourism advertising includes: information and entertainment articles, recommendations and comments of experts, branding of thematic pages, for example, the tour operator's logo on the main page of the tourist magazine. Very often news articles, newspapers or magazines contain news articles about opening new hotels or updating their material and technical resources. The benefits of native advertising are trust in information and a greater degree of interest because the material is not associated with advertising. Figure 4 shows a sample of native ads. Under the guise of an informational announcement about the opening of a new 5-star hotel for potential consumers, information is available about its location, institution services and price ranges. As a result, a person creates a holistic impression of the hotel and during the trip to the area; she (he) can decide to place it in it.

The magazines are the platforms for the advertisement of travel services. The most popular tourist magazines in Ukraine, which are represented on the Internet, are the following publications: Hospitality Academy, International Tourism, News of the tourist industry, Hotel and Restaurant Business, Restaurateurs. The articles are placed in thematic sections and then remain in the archive of the publication.



**У Буковелі відкривається шикарний 5-зірковий готель.**



У Буковелі планується відкриття нового готелю. Новим готелем стане 5-зірковий Radisson Blu Resort під управлінням світового готельного оператора Carlson Rezidor Hotel Group. Готель розташований в селі Поляниця, на території гірськолижного комплексу Буковель між верхньою і нижньою станціями 7-ї траси. Відкриття відбудеться 1-го вересня.

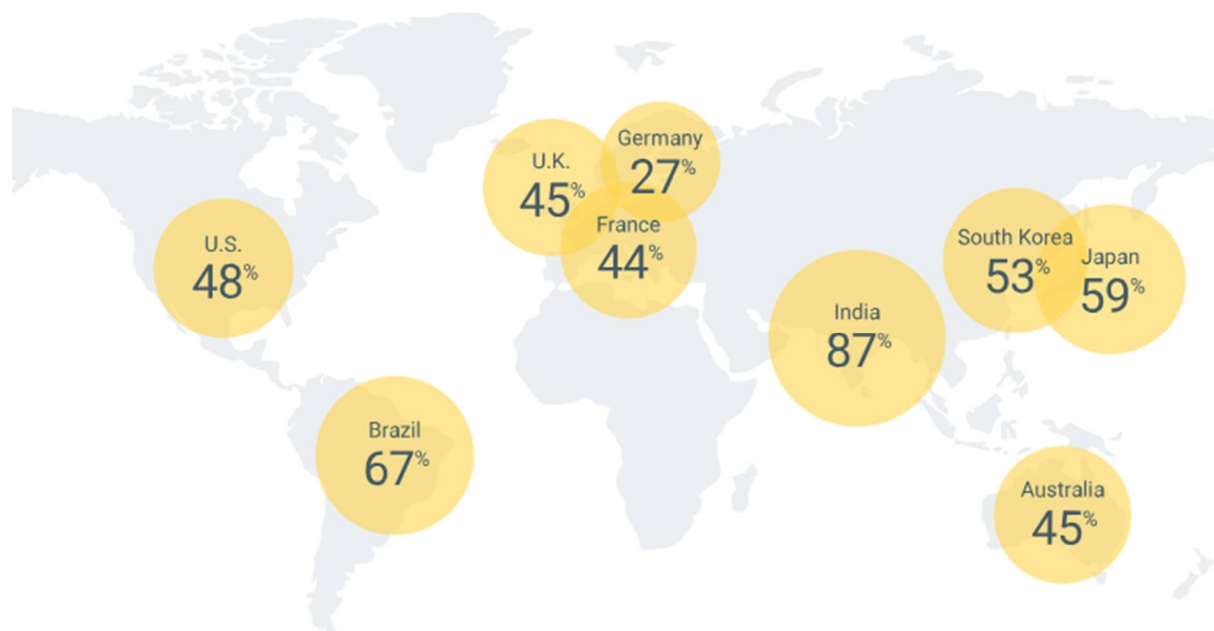
У сезоні мінімальна вартість номера складатиме 250 доларів на добу. У цю ціну буде входити сніданок по системі шведський стіл, а також можливість відвідати басейн, джакузі, сауну та тренажерний зал. За додаткову плату гості зможуть відвідати нічний клуб і бальний зал.

У готелі, також будуть і більш дорогі номери. Номер люкс, наприклад коштуватиме 980 євро за добу, його площа складає 100 квадратних метрів і він має дві спальні. У готелі також буде президентський люкс, але його ціна не уточнюється. Площа номера становитиме 300 квадратних метрів і складатиметься з 6 кімнат: 3 спальні, вітальня і кухня.

**Fig. 4. An example of native advertising in Ukraine**

Mobile travel advertising continues to gain momentum due to the constant localization of the device along with potential travelers. The key trend of mobile travel advertising is its personalization - the selection of tour package proposals according to previous searches. According to forecasts by Zenith media communications agency, by 2020, 30.5% of global advertising investment will amount to mobile advertising compared to 19.2% in 2017 and in 2021 it could overtake TV advertising [11].

The evolution of smartphones has contributed to profound changes in the field of tourism and recreation. Smartphones with corresponding applications significantly changed the tourists approaches to travel planning. Traveling mechanism has become a permanent interaction with the Internet, the constant use of smartphones. In India, 87% of last year's searches for travel took place on mobile devices, Brazil - 67%, Japan - 59% (Fig. 5).



**Fig. 5. Using mobile phones when planning and booking travel, 2018**

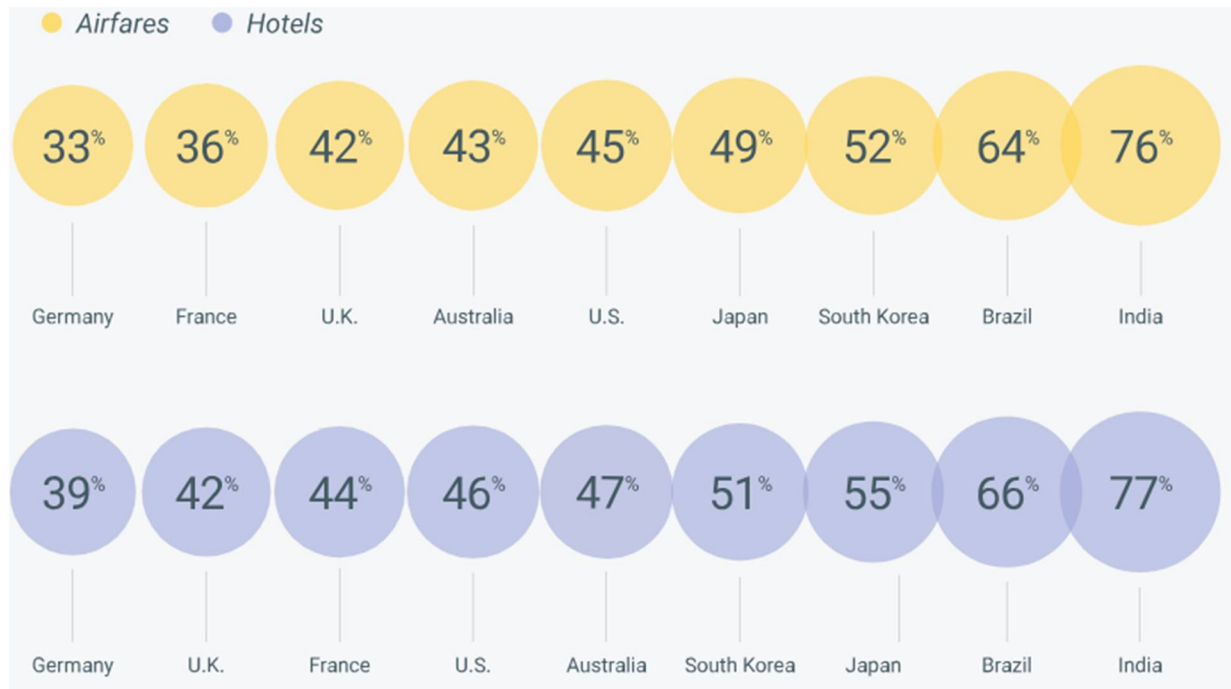
(GoogleConsumerInsights [12])

In the context of smartphones use, tourists expect to receive individual offers. To be effective, mobile travel programs must take into account the variability of user interests.



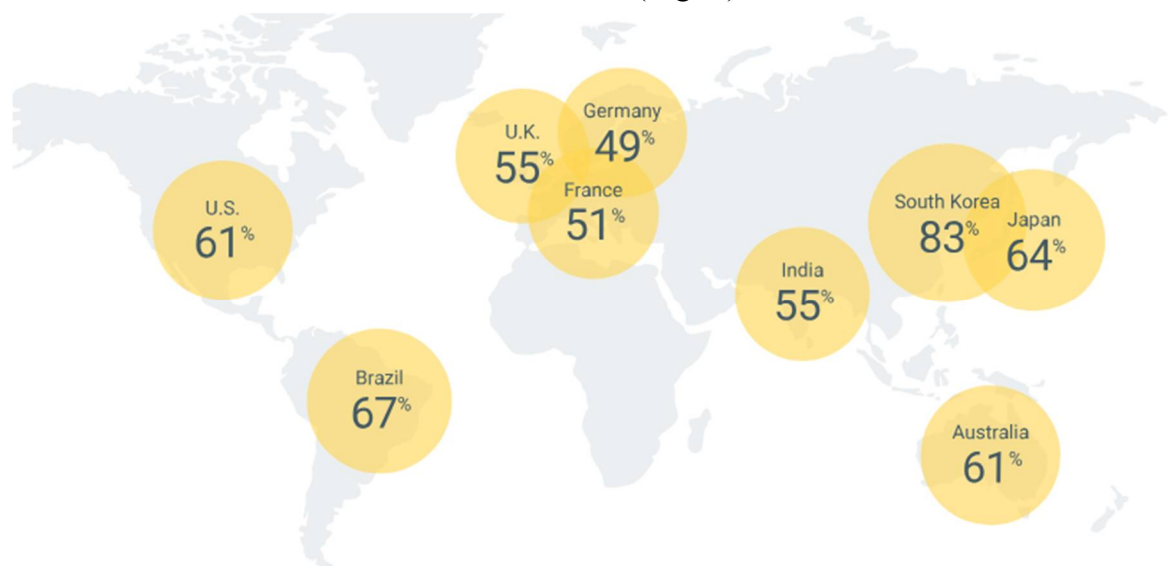
Taking into account basic context information such as location and time by the smartphone, implementation of a filtering strategy will allow you to create personalized offers based on user-generated content (including social network analysis).

A worldwide trend is the growth of the mobile phone use to search for tourist attractions, hotels, restaurants. According to GoogleConsumerInsights, smartphones are the most used to search hotels and airline tickets in India - 77% and 76% respectively (Figure 6). Indians are world champions in digital travelling.



**Fig. 6. Using smartphones to search for hotels and airline tickets, 2018** (Google Consumer Insights [12])

The largest number of travelers who use their mobile phone to search for holiday destinations is concentrated in South Korea - 83% (Fig. 7).



**Fig. 7. Using a mobile phone to search for tourist destinations, 2018** (Google Consumer Insights [12])

A significant number of Internet users check daily their mobile phone first in the morning. Intensive use of telephones is facilitated by high-speed and high-quality Internet and availability of a large assortment of budget smartphones on the market. Therefore, if the consumer cannot afford to buy a stationary computer, laptop or tablet, then the best option is a smartphone.

## 2. Factors of the development of the Internet advertising market

According to the expert assessment of the All-Ukrainian advertising coalition, the volume of the Ukrainian advertising and communication market in 2018 amounted to 17520 million UAH, which is 3,479 million UAH more than in the previous one (Table 2).

**Table 2. Volume of advertising and communications market of Ukraine [13]**

<b>Kinds</b>	<b>Results 2017, mln.UAH.</b>	<b>Results 2018, mln.UAH.</b>	<b>Percentage change 2018 to 2017</b>	<b>Forecast for 2019, mln.UAH.</b>	<b>Percentage change 2019 to 2018</b>
<b>TV advertising, total</b>	7 329	9 269	26%	11 526	24%
Direct advertisements	6 355	8 071	27%	10 089	25%
Sponsorship	974	1 198	23%	1 438	20%
<b>Advertising in the press, total</b>	1 355	1 612	18,9%	1 843	14,4%
National press	816	965	18%	1 101	14%
Regional press	224	277	24%	321	16%
Specialized press	315	370	18%	421	14%
<b>Radio advertising, total</b>	480	578	20%	715	24%
National Radio	348	418	20%	518	24%
Regional radio	47	54	15%	65	20%
Sponsorship	85	106	25%	133	25%
<b>UNO Media, total</b>	2 692	3 493	30%	4 307	23%
Outdoor advertising	2 263	2 923	29%	3 601	23%
Transport advertising	327	444	36%	553	25%
Indoor advertising	102	127	24%	152	20%
<b>Advertising in cinemas</b>	40	48	20%	58	20%
<b>Internet advertising</b>	2 145	2 520	17%	3 772	50%
<b>Total advertising media market</b>	14 041	17 520	25%	22 221	27%

Structurally, the largest share of revenues comes from TV advertising - 9269 million UAH. Internet advertising occupies the third position with an indicator of 2520 million UAH. The absolute growth of the media market in 2018 was 25% compared to the previous one. According to the forecast, the largest percentage of growth in 2019 is expected in Internet advertising - 50%.

The digital advertising experts of the All-Ukrainian advertising coalition, while preparing an assessment of the market volume, adhere to the IAB (Interactive Advertising Bureau) classification in order to make the process, structure, logic of estimation and forecasting fully in the global context, but not all categories of IAB can be 100% attributed to the classical media. Therefore, it was decided to form a separate estimate of the Internet market volume according to the standards and categories of the IAB and only some parts of the Internet market (banner advertising, digital video, sponsorship) to be included in the volume of the Media ads [13]. Search (paid search engine delivery), including part of the GDN is the largest Internet market volume - 6500 mln. UAH. (Table 3). Banner ads, ads in social networks take the second position with an indicator of 951 million UAH. The share of mobile advertising is presented in each type of Internet advertising. Its share is more than 50%, which indicates that most Ukrainians use smartphones.

**Table 3. Internet advertising market of Ukraine [13]**

Kinds	Results 2017, mln.UAH.	Results 2018, mln.UAH.	Mobile Share (traffic)	Percentage change 2018 to 2017	Forecast for 2019, mln.UAH.	Percentage change 2019 to 2018
Banner ads, social media ads, rich media	825	951	56%	15%	1 189	25%
Sponsorship	181	210	53%	16%	273	30%
Mobile advertising	426	-				
Digital video, inc. Youtube	713	1359	60%	91%	2 310	70%
<b>Total internet media</b>	<b>2 145</b>	<b>2 520</b>	-	<b>17%</b>	<b>3 772</b>	<b>50%</b>
Search (paid search engine placement), including part of the GDN	1 800	6 500	63%	261% (техніч)	9 100	40%
Other Digital	400	520	-	30%	676	30%
<b>Total Internet market</b>	<b>4 345</b>	<b>9 540</b>	-	<b>120%</b>	<b>13 548</b>	<b>42%</b>

The turnover of goods and services in the e-commerce market of Ukraine in 2017 amounted to about 50 billion UAH. In 2018, the turnover increased to 65 billion UAH. The largest group of sites in the online trading segment is the projects of EVO company - Prom.ua, Bigl.ua, Crafta.ua, Shafa.ua. All of the above sites are marketplaces. During 2017 Ukrainians spent 14.2 billion UAH on them, which is almost 70% more than the previous one. 31% of Ukrainian Internet users have made online purchases at least once [14].

Internet technology in tourism is not limited to advertising but is also characterized by an online travel market that allows you to order services all over the world, presented in one interface. The following most popular reservation systems operate at the Ukrainian tourist market:

- ABS Online – tour operator reservation system "Arteks";
- Booking.com – a company with an office in Amsterdam, is part of ThePricelineGroup, a global leader in online tourism and related services;
- ContentInn – Amadeus reservation system, in Ukraine represented by the legal entity "Content Ukraine";
- Expedia – one of the oldest sites of travel-topics, online since 1996, is not officially represented in Ukraine;
- GoGlobalTravel – platform with head office in Tel Aviv. Works in markets throughout the Mediterranean and in Europe, with strategic partners located in Asia and America;
- GTO – Ukrainian operator, system of own development;
- IATI – online reservation system for Turkish origin, in the market since 2010;
- LCI TravelSolutions – online booking system for MTC GROUP S.A. - Host company with offices in Switzerland, France, Italy, USA, Ukraine and Russia;
- Natecnia – booking system from the tour operator "Natalie Tours". Introduced as main in 2016;
- "Fishka" - dynamic package tours in 50 directions with instant confirmation of air tickets and most of the hotels offered;
- OnlineBistro – Ukrainian project - a system with quite wide opportunities for booking and dynamic packaging;
- Travel-Life.PRO – the company provides hotel reservation services and transfers around the world and car rental. On request, group requests are processed (including during a conference and service of business trips) and make reservation of additional services (excursions, reservation of a table in a restaurant, etc.);
- TUI – The operator, in addition to the standard search engine, offers a selection of hotels around the world (over 310 thousand) based on Amadeus ContentINN;
- Vitiana – an online reservation system for hotels and apartments that works only with tour operators and travel agents. Specialization - the creation of individual tours to anywhere in the world. Established specifically for the Ukrainian market, taking into account all its features;
- PAC World – online designer for individual travel, developed by the tour operator company PAC GROUP. The whole process of developing and editing the tour is fully automated [15].

Reservation services research suggests that most of them offer reservation of airline tickets, hotels, car rental and transfer. Only GTO, Natecna, PAC World, Vitiana offer excursions. Complex service packages are available on systems such as Expedia, GTO, IATI, Natecna, OnlineBistro (Table 4).

**Table 4. The most used reservation systems in Ukraine [15]**

Name	Services						Commission *	Payment
	Air tickets	Hotels	shuttle service	Car rental	excursions	service package s		
ABS Online	+	+	+		+		12-14%	account, card
Booking.com	+	+		+			5-7%**	Card
ContentInn	+	+	+				net prices	account, card
Coral+	+	+	+				9%	Card
Expedia	+	+		+		+	net prices	Card
GoGlobal		+	+	+			net prices	foreign currency account, card
GTO	+	+	+		+	+	10-12%	account, card
IATI	+	+	+	+		+	net prices	account
LCI TravelSolutio ns		+	+	+			net prices	account, card
Natecna	+	+	+		+	+	10-12%	account
OnlineBistro	+	+	+	+		+	net prices	account, card
PAC World	+	+	+	+	+		10-15%	account, card
Travel- Life.PRO		+	+	+			10-13%	account, card
TUI		+					5%	account
Vitiana		+	+	+	+		net prices	account, card

*Note: \* The commission on airline tickets may differ from the indicated or missing;*

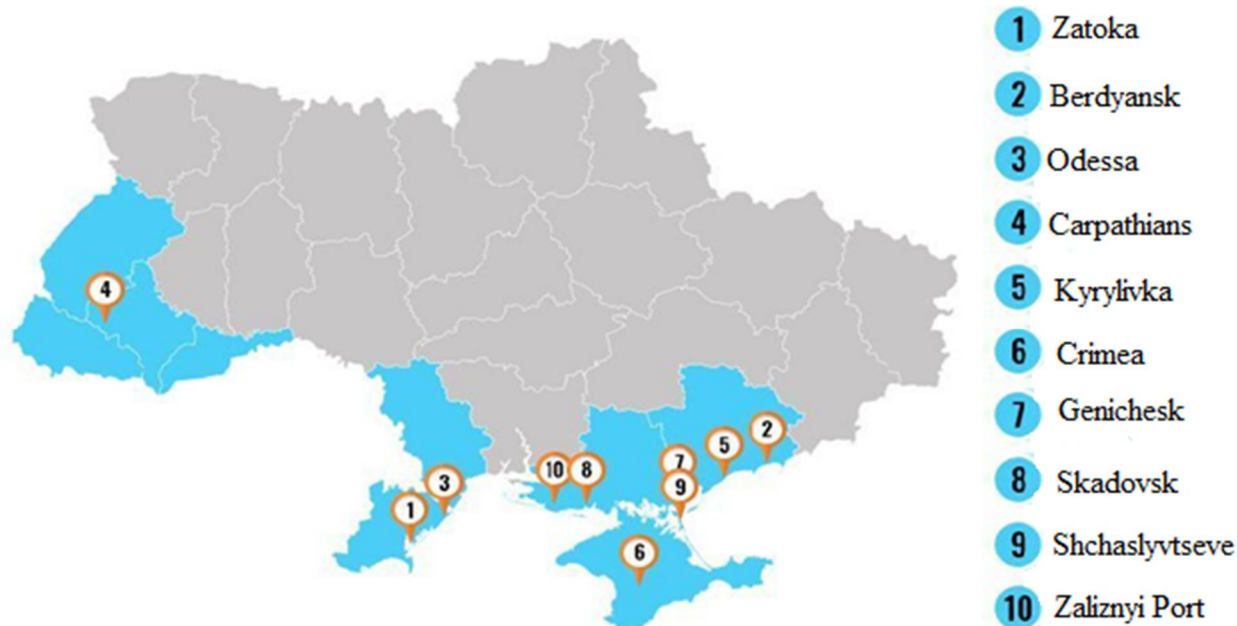
*\*\* is credited within 30-60 days from the date of return of tourists.*

Based on the aggregation of Google search queries, one has generated ranking of the most popular foreign destinations among Ukrainian as 2018 the first place is Turkey, followed by Egypt - the third - Bulgaria (Fig. 8). Top 10 foreign destinations close Croatia and Bali.



**Fig. 8. The most popular recreation queries in foreign destinations among Ukrainians in 2018 (GoogleTrends [16])**

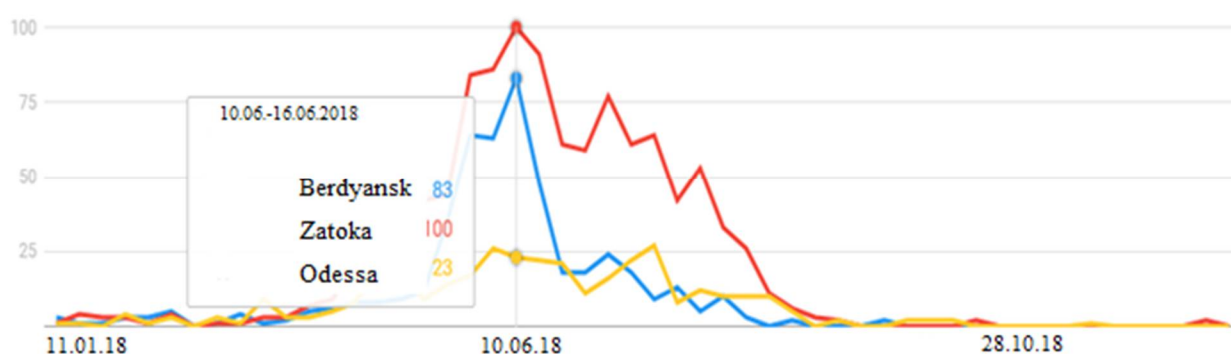
Considering requests for domestic tourism, the following places are highlighted: Zatoka, Berdiansk, Odesa, Karpaty, Kyrylivka, Krym, Henichesk, Skadovsk, Shchaslyvtseve ta Zaliznyi Port (fig. 9). Zatoka, Berdiansk, Odesa, Karpaty, Kyrylivka, Krym, Henichesk, Skadovsk, Shchaslyvtseve ta Zaliznyi Port (Fig. 9).



**Fig. 9. The most popular recreation queries in Ukraine in 2018 (GoogleTrends [16])**

Comparing GoogleTrends data with the figures of the State Statistics Service, we state their homogeneity, as the largest number of tourists from Ukraine went to Turkey (955463 people) and Egypt (708262 people). Therefore, search queries are the primary basis for identifying a vacation object and purchasing a tour package.

Google algorithms determine the point on the graph for the selected period, when the query was most popular, and accept it for 100, and all other points on the graph are determined from a percentage point to a maximum [16]. Choosing to compare the most popular holiday destinations in Ukraine, a comparison was made of their seasonal requests. Figure 10 shows that Zatoka, Berdiansk and Odessa are most popular in the summer. The largest number of search queries for these places was observed in June. In November and December, there are no requests for recreation at all. That is, we can state that due to the seasonality of the destinations queries in search engines related to travel and leisure are also correlated.



**Fig. 10. Seasonality of search queries** (made by the author in GoogleTrends)

### Conclusions

Based on the study of online travel advertising, we can draw the following conclusions. A comprehensive analysis of scientific literature suggests that the overwhelming majority of scholars in determining the definition of "Internet advertising" emphasize, firstly, that Internet advertising is a consequence of the development of traditional advertising; and secondly - activates the interest of the target audience, and thirdly - contributes to the profit. Thus, we can argue that Internet advertising is a transformational type of traditional advertising driven by the evolution of information and media technologies that increase the sales of advertising objects. The overall benefit of online advertising is a global coverage, an automation of monitoring, minimal cost of changes and correction and focusing on target audiences.

Advertising tools on the Internet are extremely diverse; they cover a lot of techniques and forms of interaction with the consumer. It has been revealed that for the tourist industry of Ukraine the following types of Internet advertising are most typical: contextual, banner, mobile, native and advertising in social networks. It has been established that smartphones with the corresponding applications substantially changed tourists' approaches to travel planning, as the transformation of the travel mechanism itself, which is currently based on continuous interaction with the Internet.

The global trend is to increase the use of mobile phones to search for tourist attractions, hotels, restaurants, which is due to fast and high-quality Internet and availability of a large assortment of budget smartphones at the market. Google aggregates search queries based on the ranking of the most popular overseas and domestic destinations among Ukrainians by 2018. Comparing Google Trends data with the factors of the State Statistics Service, we state their homogeneity. Therefore, search queries are the primary basis for determining a vacation object and purchasing a tour package. We can state that due to the seasonality of the destinations, queries in search engines are also correlated with travel and leisure.

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## **CONTINUOUS EDUCATION AS A MEANS OF FORMING PROFESSIONAL CULTURE OF FUTURE SPECIALISTS**

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**Abstract.** *The article highlights professional culture as a vector of forming successful professional self-development on the basis of continuous education. The etymology of concepts "continuous education" as well as "professional culture" is analyzed, the definition of the concept "professional culture" is formulated, the peculiarities of professional culture together with its elements are stated. The source of the concept of continuous education is noted to be the religious and philosophical ideas as well as the doctrine of the constant spiritual perfection of man. The notion of continuous education is described. The principles of designing a system of continuous education: integrity, multiculturalism, continuity, interactivity, humanistic orientation and democracy are defined. The principles, that form the basis for theoretical and practical development of the concept of continuous education are indicated. The content and conditions for the formation of the professional culture of future specialists throughout life, the levels of the modern specialist professional culture shaping are determined and described. The role of future specialists as a subject of professional culture is singled out. It is proved that specialists in the process of professional activity implement and create socio-cultural values. This paper analyzes the essence of continuous education together with its values. The conceptual notions and contradictions in the role of education content change are defined, the essence of continuous education as a means of forming professional culture of a specialist, professional training and his/her professional formation is analyzed.*

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**JEL Classification: I 26**

### **Introduction.**

One of the characteristics of the development of education is the concept "Continuous Education", namely the adaptation of the educational process to the needs of the individual, creating conditions for its implementation. The state program "Education" outlines that one of the principles of its implementation is the continuity, which "opens the opportunity for continuous deepening of general education and vocational training, achievement of integrity and continuity in education and upbringing; transformation of the acquisition of education in a process that lasts throughout the life of a person".

Education is considered in this concept as a general social form of human development. It is a system that includes three basic interrelated processes: upbringing, education and development of human consciousness. The system of education is structured according to other principles, and includes a number of links: a system of preschool education, comprehensive school, vocational education, secondary specialized education, higher education, postgraduate education, a system of professional development and retraining, education according to the interests.

Continuous education is a supportive process for the growth of the educational (general and professional) potential of a person throughout life, which is organizationally secured by a system of state and social institutions and meets the needs of the individual and society. The continuous improvement of social welfare and economic development requires the implementation of the concept of continuous education in regional development strategies. The contribution of education into economic growth promotes the acquirement of new knowledge, stimulates the process of producing new ideas and applying them into practice. Taking into account the practice of the education development state regulation, the existence of such dependence requires the creation of conditions for the constant upgrading of citizens' knowledge as an enrichment of universal knowledge.

If the last two structural components of the continuous education (university and postgraduate periods) are looked through, then the difference will be spotted. The first means a period of accumulation of knowledge, the development of certain skills and abilities. But due to the fact that knowledge in our society is not tangible, it is not perceived by the mass consciousness as a value for which it is necessary to struggle while obtaining it, the decrease in competitions in recent years determines this statement.

Postgraduate period is characterized primarily by work, the usage of the earlier gained knowledge in practice. Learning here is of a second priority. Forms and methods of obtaining knowledge at this time are largely different from the previous stage, especially they have little in common with the period of school education. After graduating from higher educational establishment, a specialist should focus on cognitive activity based on individual methods of gaining and upgrading knowledge. Various types of training and retraining play, nevertheless, not the main role, but auxiliary one. The main thing in this period is independent cognitive activity of a person.

Self-education is responsible for obtaining all new information. "The more you know, the better you understand the particular issue, the more valuable you are" is the motto of the next century. Self-development, self-improvement of the person, his/her potential are the main factors of professional development and the level of success in a career. Higher education institutions play a key role in the implementation of lifelong learning. This is primarily due to the fact that they train staff who must ensure the implementation of lifelong learning. Higher educational establishments constantly strengthen ties with the labor market, search for the optimal ways of adapting to changing market requirements and consumers' demand for educational services.

### **1. Continuous education as a global trend of professional development**

The analysis of scientific literature allows to distinguish the following preconditions of the continuous education concept development: acceleration of the rate of the aging knowledge coefficient growth; the desire to enhance professional and social status; the need for access of different categories of the population to education; development of information and communication technologies; transformation of forms and methods of teaching; globalization processes; leveling the division of human life into periods of education, work and professional de-stabilization; change of employers' requirements regarding employee competences; growth of academic freedom of educational institutions and organizations; change in demographic situation towards population's aging.

E. Gruber introduces the concept "education that accompanies a person throughout life" [6, p.175]. Continuous education is stated to be a direction towards the modernization of education as a whole in the US and Canada. The conceptual foundations of continuing education are based on the need to develop critical thinking skills that can be learnt during classes at school and university, and then successfully should be used throughout life in different situations.

According to experts from the European Center for the Development of Vocational Education (CEDEFOP), it is the continuous education that is the most effective way of solving many problems and ensuring the progress of mankind [7, p. 31].

The development of educational systems occurs as a reaction to social changes; it is based on the need to resolve contradictions in terms of satisfying individual and social needs. The category of continuous education is stated to cover a range of interpretations and meanings that describe different educational settings, including non-formal learning.

The complicated development of society nowadays is accompanied by a number of changes and approaches to education. In the field of education, the change of the established among the objects of socio-cultural activity relations is accompanied by the emergence of a new paradigm of education. It is based on the fact that the purpose of education as a person-oriented cultural activity is the formation of "human culture".

This phenomenon determines the more active appeal of scientists to the development of creative potential of the individual, the peculiarities of his/her establishment in the process of continuous education. Currently, the number of works, aimed at studying continuous education as a branch of the most effective formation of personality, including the direction of the person's professional development and growth of professional skills, has considerably expanded.

Young people must become accustomed to the fact that success in the subsequent life depends on the search for the status, the rating of social prestige in the social requests of the individual.

The goal of the development of continuous education is to recreate human capital and the intelligence of society in order to ensure sustainable human development of the country through qualitative staff training, creation of an effective and advanced system of training based on a combination of national achievements of world importance and established European traditions. These approaches will be capable of providing continuing education in the process of constant modernization of principles of humanism, democracy, free competition and high technologies, as well as guaranteeing citizens' continuous education, carrying out the practical implementation of educational policy as a priority function of the state.

At the same time, the information society changes the role of education in the process of formation and development of personality. Its current task is to ensure general access to various forms of continuous education in order to obtain and upgrade the key and professional competencies of the individual, whose list meets the requirements of the contemporary society [3, p. 15].

Continuity of professional education is a key condition of human life, acts as a leading lever of educational policy at various age and professional stages of its development, associated with the assimilation of man's socio-cultural experience of different generations.

It is the continuity of professional education that is becoming one of the leading principles of the national educational policy implementation, the spokesman of modern trends in competitive professionals training. Without exaggeration, it can be noted that continuity is the core of a modern educational system aimed at continuous professional improvement of a person throughout life.

This provision is grounded in the National Doctrine of Education Development. The needs for consistent implementation of the ideas of continuous vocational education, under the conditions of dynamic changes in the world in our state, are constantly growing.

The purposeful systematic improvement of the level of the specialist is an important guarantee of work employment in the labor market, extends the prospect of professional career and stimulates the development of business activity, professional mobility.

Continuity of professional education is closely linked with the principles of unity and consistency in the education system, its multilevel, flexibility and predictability.

From the standpoint of the modern humanistic paradigm of continuous education, the effective formation of a person's professional skills in the conditions of continuous socio-cultural education is perceived as the most important factor for the further successful self-realization at work, readiness for constant self-improvement. An important tendency in the development of a modern high school in the world can be called the transition from the qualification approach to the competence one.

The phenomenon of continuous education is becoming the first-priority in a pedagogical society. The person with needs, interests and abilities is at the heart of the idea of continuous education. The vision of the problem of continuous education is described in researches of modern Ukrainian scientists: V. Bykov, M. Bilynska, I. Zaziun, L. Karamushka, V. Kryzhko, V. Luhovyi, T. Lukina, S. Maiboroda, N. Nychkalo, O. Obolenskyi, I. Rozputenko, S. Sysoieva and others, as well as foreign ones - A. Bakhmutskyi, N. Bylynskyi, H. Draiden, E. Korotkov, V. Panasiuk, M. Potashnik, N. Selezniova, A. Subetto, T. Shamova and others.

Today, the need for continuous education is determined by the life itself, the innovative activity of educational institutions, the needs of the individuals to constantly improve, enhance their professional image and status. System organization and methodological support of continuous improvement of professionalism promotes creative growth, self-realization, self-education.

The Recommendation of International Labor Organization on planning and managing vocational training on a national scale, in our opinion, is timely and includes the following provisions [5, p.165-181]: - each country needs a network of educational institutions that meets the needs of the population, the number, location and programs of which must be adapted to economic needs and employment opportunities throughout the country or where it is most appropriate (in each district, area); - it is advisable to organize this network in such a way that, without difficulties, it is possible to switch from one type to another one and have access to successive stages and different levels of education so that any person can achieve the highest level of education according to his/her abilities and inclinations; - ways and means of obtaining a profession and mastering a craft must be effective in meeting the needs of all sectors of economic activity and various personal abilities, interests and needs of the learners; - if the conditions of the country do not provide the possibility to create a full network on a national scale, the country should explore the possibility of cooperation with neighboring states for the development of a common network, one or more general educational institutions; - public authorities and various civic organizations that deal with educational issues allowing freedom of initiative and adapting to the needs of different sectors of the economy, districts and localities are stated to cooperate in the development of fully coordinated learning tools.

The idea of continuous education, lifelong learning is closely linked to one of the key provisions of the Bologna Declaration on the introduction of cycle training in the higher education system. Continuous education is represented by the cycles of Bachelor's and Master's degrees as well as Doctor of Philosophy – PhD in the pedagogical system of the single European higher education space.

The person who is the subject of upbringing and education, with his/her interests and abilities is in the center of the idea of continuing education.

Modern society, the development of which is predetermined by socio-economic transformations, globalization both in the spiritual sphere and in the spheres of material production and services, renders new requirements for the professional training of engineers.

The state and public institutions place an order for a domestic higher education system concerning the training of a self-sufficient and competent specialist, an intelligent person, whose spiritual potential is integrated with mental abilities. Solving this complex task is possible due to the focus on the comprehensive development of a specialist's professional training in higher education institutions.

Continuity of professional education is a key condition of human life, acts as a leading lever of educational policy at various age and professional stages of individual's development, associated with the assimilation of man socio-cultural experience of different generations.

It is the continuity of professional education that is becoming one of the leading principles of the national educational policy implementation, the spokesman of modern trends in competitive professionals training. It should be noted that continuity is the core of modern education system, aimed at continuous professional improvement of a person throughout life. This provision is grounded in the National Doctrine of Education Development.

Constant attention to the creative implementation of the ideas of continuous vocational education creates opportunities for the implementation of socio-cultural, general, compensatory, adaptive, economic and other important functions in the daily activities and work of man.

Such conceptual approach involves the development of a person both vertically (professional level improvement) and horizontally (necessary changes in the profile of the profession, the transition from one profession to another, etc.).

Continuity of professional education is closely related to the principles of unity and continuity in the education system, its multilevel, flexibility and predictability. Consequently, the continuity and diversity of education, as its basic principles, are closely linked to the principles of unity and continuity in the education system, its degree of phases, flexibility and predictability.

The essence of continuous education is to understand the educational system as holistic, covering all various stages of human life, from preschool education to postgraduate studies, retraining, advanced training, self-education, that is, there is a consistent and interconnected process of human development throughout life, which enhances the role of personal orientation in lifelong education.

To determine effective approaches to the organization of professional formation of a modern specialist, it is necessary to take into account the fact that the most important determinant of professional development is the internal significance of labor, its satisfaction.

The improvement of professional skills and abilities, the development of creative potential, self-affirmation of a person as a successful self-realizing person is to be witnessed only in the continuous creative search and the unification of technology of adult learning with the technology of independent work. According to Ben Svitlend's expression: "Success is a way, but not a goal."

## **2. Professional culture in the aspect of training specialists.**

The peculiarities of the objects of professional activity and the specifics of the sectoral activity of future specialists predetermine the acute need for rethinking the content and methods of their training with a reorientation towards the formation of their professional culture.

Professional culture is the sphere of creative use and application of the future specialist's personal abilities, and therefore its formation should be granted on subjective bases, when the student from the object of study, education and vocational education becomes the highest value, that is, acquires the essence of the subject. This approach is supported by such scientists as I. Bekh, I. Zaziun, N. Nychkalo, S. Slaktionin, R. Sierikova and others.

Professional culture is considered by scientists as an attributive property of a professional group of people, a set of knowledge and skills that provides high professional performance as well as the ability to solve professional problems (O.Homoniuk). At the same time, professional culture is an integral quality, formed on a solid ground of developed professional qualities and cultural, philosophical, social, economic and environmental thinking.

The rudiments of professional culture are significant for professional activity, especially in terms of providing services to different categories of the population. The major requirement for the formation of a professional culture is the presence of psychological and pedagogical conditions, which are understood as a combination of elements of content, methods, techniques, organizational learning forms that positively affect the effectiveness of the educational process.

Psychological and pedagogical conditions are the development of cognitive interest, activity, independence in educational activity; stimula for the self-improvement mechanisms in the learning process. The psycho-pedagogical condition is predetermined by the results of professional culture enhancement which is expressed by the help of: the purposefulness of cognitive actions and their expediency; the nature of knowledge, skills, activity, the mobility of the skills use; the desire to expand and deepen cognitive activity. The final result depends on the activity of independent cognitive activity of future specialists. Professional self-improvement of a specialist is a conscious, purposeful process of raising the level of professional competence and developing professionally relevant qualities in accordance with external social requirements, conditions of professional activity and personal development program.

Professional culture is the result of a comprehensive goal-oriented productive impact on the student's personality. It is formed on the basis of systematic, culturological, competence, personally oriented approaches. This influence determines the expediency of using the content and structural potential of continuous education. Knowledge and high level of common culture; practical skills and abilities - the last I. Zaziun explains as civil and political qualities (ideological beliefs and social activity); personality orientation; high intellectual activity and cognitive independence; abilities; culture of language and speech skills are of a great importance [4, p. 47]. Scientific and technological, socio-economic development of mankind strengthens the requirements for the training of a fully-developed professional, capable of continuous self-education, self-development and self-improvement; flexible, who tends to perform new, more complex professional functions. This leads to the need theoretical and methodological understanding of the problem of continuous vocational education, the search for solutions, taking into account significant scientific and technological achievements.

On the basis of theoretical analysis of the problem of future specialists' professional culture formation, the study of the possibilities of continuous education, the inclusion of practical experience in training specialists revealed some contradictions between: the objective need to form a future specialist's professional culture under conditions of continuous education and the real result of professional training; the requirement of society and industry for the integrative formation of a fully developed personality and the functional limitations of his/her professional readiness; the proved necessity to substantiate and introduce the system of future specialists' professional culture formation and the lack of its conceptual and methodological principles; the objective need of a system of modern scientific and methodological guidance for the future specialists' professional culture formation and the availability of unsystematic, uncoordinated elements of such support. Professional culture belongs to the sphere of professionally important qualities and naturally, is organically linked with other substructures of a specialist's personality.



Educational work in the higher educational establishments should ensure not only scientific and methodological information gaining, but also provide a developing personality effect in the form of a high professional culture of the future specialist. A specialist's personality professional culture is an integrated ability to consciously master the scientific and technical information, the determined behavior and communicative self-organization in the work team, the creative performance of professional activities on the basis of socio-legal, moral and ethical norms.

Both reforming Ukrainian higher education and integrating into the European educational and scientific space lead to an increase in the requirements for the professionalism of higher educational institutions' graduates under market competition. The focus on the development of the student as a personality, individuality and an active subject of professional activity can be secured only on the humanist-democratic basis of pedagogical activity in institutions of higher education.

Such organization of future specialists' professional training resembles the dialogue, cooperation, co-creation, where the mutually interested exchange of personal values and experience of a teacher and student prevails. This opens up broader opportunities for the students to prepare themselves for successful self-realization, which will be defined as their professional knowledge and mental well-being. Therefore, an important component for students' preparation for future professional activities is the formation of social activity and the recognition of the values of professional culture.

An important aspect of shaping the professional culture of future professionals is the use of new teaching technology in the field of interactive communication between a teacher and a student. It is the individual work with the student that will contribute to the disclosure of his/her creative potential, increase the possibilities for knowledge replenishment, deepen the ability to work with scientific material using modern educational technologies and appropriate tools - this approach will enable educators to obtain the results that are stated by the Bologna Declaration.

On-the-job training is an integral part for forming the professional culture of future specialists. The above mentioned aspects of the professional culture formation are only some elements that should become the basis for the organization of the educational process on the principles of the Bologna Declaration, which, unlike the traditional organization of education, focuses on the development of the students' personality.

The development of theoretical and methodological principles for the future specialists' professional culture formation, with bringing the content and forms of training organization to accordance with European standards, is a prospect of scientific research. There is a need for changing students' psychology about studying at institutions of higher education. And teachers are expected to use more modern pedagogical technologies, local settings and the world computer network Internet.

An individual approach to organizing learning process and assessing students' knowledge requires time and effort from teachers. Even by attaining the characterized goals, the discrepancy with European education will remain significant, so measures for the introduction of European experience should be systemic and rich in content, including changes in organizing training as well as scientific and methodological guidance at higher educational establishments. Subjects of the humanitarian cycle for the choice of personality spiritual references, the comprehension of cultural experience of mankind, historical memory and the possibilities of communication play a significant role in the future specialists' professional culture formation. Humanitarian disciplines are expedient to be considered not only as a component of the professional culture of future specialists, but also as an attributive component of the holistic socio-cultural personality reproduction.

Shaping students' culture of higher educational establishments involves the use of general cultural, content, ideological possibilities of disciplines of the humanitarian cycle. Not less important is the cycle of professionally directed and special disciplines. These subjects are to shape the spiritual potential of the future specialists to the level of the specific content of their future profession. They tend to enable the realization of a new, cultivating form of official duties performance and execution of professional functions.

The study of the main trends in the development of contemporary society involves rethinking the role of culture as an important indicator of the level of human development in the spiritual way. However, it is important to note that the pace of building up the overall cultural potential of a society depends to a large extent on the level of specialists' training to solve problems, the formation of their professional culture. Moreover, an important attention in this personal phenomenon is paid to the value component. This determines the relevance of a problem under research. In general, this problem was the subject of only some theoretical study. The leading idea of the research is based on the concept that the formation of a professional culture of future specialists in the conditions of continuous education should be considered as a pedagogical system, created on the basis of scientifically grounded approaches, theoretical and practical achievements of domestic and foreign pedagogy of higher education, the concept of continuous education, taking into account the main tasks of the domestic technical intelligentsia upbringing.

The implementation of the peculiarities of professionally defined goals and tasks requires a comprehensive analysis of the systems of foreign and domestic continuous professional training in the unity of their elements and links together with determining significance of the professional culture of students, future specialists. The formation of professional culture is considered as a continuous and holistic process that covers the plurality of structural elements that are dialectically interconnected and determined by many factors. The leading one is known to be a personal factor. Formation of the future specialists' professional culture is a component of continuous vocational education.

The professional culture of students of higher educational establishments is formed on the grounds of using progressive ideas of world experience in the national space of higher education, which necessitates a thorough analysis of modern systems of vocational training in foreign countries and the conditions that promote the development of these systems. The main component of the professional culture of the future specialist is the general culture, which determines the need for continuous, systematic, thorough training of specialists who are educated in continuous vocational training. Formation of professional culture is a coherent phenomenon that encompasses the processes of education, upbringing and development of the student. It should be aimed at creating a system of special cultural knowledge, mediated by the content of specialists' professional activities; developing models of the specialist's behavior, determined by the needs of the object of their activity and the code of honor of the employee; preventing the formation of technocratic thinking; enhancing its focus on taking customer-centric solutions.

The concept is introduced by updating the contents of the curricula of humanitarian and professionally oriented students' training by the use of special material. After having worked out the material, the awareness of the role of professional culture in future activities due to the specialty will be ensured. The conceptual approach to the development of such content is based on the principles of the philosophy of education, culturologically and personally oriented education, aimed at training a qualified specialist in accordance with his/her abilities, capabilities and needs of the industry as well as professional activities.

It is advisable to emphasise on the creation of a modern scientific and methodological guidance for forming the cultural component of future specialists' readiness. The main aspects of the concept are reflected in the general hypothesis of the research, which is based on the assumption: the level of professional culture of future specialists will increase considerably providing the scientific substantiation and implementation of the content, forms and methods of professional culture adapted to the requirements of the professional activity in the process of future specialists training are introduced. One of the means of its formation is a holistic system, the main component of which is the activity component. It involves provoking students' conscious pursuit of cultural activities aimed at forming the spiritual component of professional thinking and spiritually moral behavior. The practical value will embrace the creation and testing of methods for the future specialists' professional culture formation under conditions of continuous education; designing methods of culturological and pedagogical training of scientific and pedagogical staff, which will provide efficient teaching of disciplines of professional direction; creation of didactic materials to foster a pedagogical process of the formation of a professional culture, etc. The urgency of the formulation and solving this scientific problem requires the creation of new ways of training specialists of socio-cultural activities, the transition to new modifications of the content of the Bologna educational process, using the potential of domestic didactics, new technologies, based on orderliness, awareness which have become the new spiritual code of a citizen.

The evidence of achieving one or another level of the formation of a specialist's professional culture is considered to be essential. Level is the degree of formation of a professional culture, a certain result of development; criteria are level meters. There is a certain dynamic connection between them, if it is revealed, it is possible to develop the most optimal system of criteria.

The structural components of professional culture include: axiological (value), operational and personality-creative. In order to master all the components of professional culture and be ready to solve the above-mentioned tasks, the content of each academic discipline should be humanized. Such approach, with its purposeful use, is gradually becoming a style of social and professionally oriented thinking of a specialist, the values of culture are updated and systematically organized in its structure. Being equipped with the above mentioned techniques, the future specialist acts as the bearer of progressive social consciousness, general and professional culture. Two sides are distinguished in the structure of professional culture: the first characterizes the way of interaction of the subject with the instruments and the tool of labor, as well as the degree of his/her readiness for a particular type of activity. It includes such elements as professional interest, knowledge, skills and abilities, the style of professional thinking. The second side acts as an integral characteristic of consciousness and self-consciousness of the subject of professional culture, moral-ideological and aesthetic preconditions of activity. Professional consciousness is a kind of reflection of reality, in which the whole set of algorithms, norms, values and language inherent to a separate kind of professional activity is accumulated. Professional culture can be viewed at different levels of development. The initial level can be preliminarily described as informational. The degree of formation of the system of professional knowledge and attitudes is not yet sufficiently wide, professional abilities are in the stage of formation. Attitude to work can be narrowed down by utilitarian factors. The higher the level of knowledge and skills is, the wider the experience is detected, the more likely that a person in his/her work can reach certain heights. A wide professional outlook and a large amount of professional knowledge, interests and skills are common for a higher level. Creative understanding of the industrial situation as a problem task, the ability to solve it productively, originally and effectively are typical to this level. The high level of formation of a professional culture is determined by two characteristics: general and special. The general professional culture of a specialist foresees the unity of belief in the social significance of work and his/her profession, a sense of professional pride; diligence and work capacity; spirit of enterprise and initiativeness; readiness to an effective, quick and qualitative solving of industrial problems; fluency in applying the norms of the scientific labor organization; knowledge of the management theory and basics of social psychology; organizational skills; readiness and interest in mastering the rudiments of related specialisms, expansion of professional experience.

A special professional culture among specialists of different specialism includes qualities that vary considerably even within the same domain.

Highly specialized sections of programmi are applied to reflect this set of qualities. The fundamentals of both professional and general culture are laid out by a comprehensive training of a specialist, which, in our opinion, encompasses: fundamental methodological and ideological training; broad humanitarian training; theoretical and practical training in specialized disciplines; creative training according to the specialism; training in the field of scientific research, formation of skills of independent creative activity. The main directions of training include a number of interdependent, more partial due to the content training forms: economic, mathematical, sociological, socio-psychological, pedagogical, managerial, legal, environmental, etc. Their volume and content are focused on the specialty and correspond to the needs of each particular industry in society. The concept "professional culture" is complex, multidimensional and ambiguous. As far as this concept is concerned, there are hundreds of scientific definitions of the notion "culture", none of which has become unific yet. Let us try to examine some of the definitions: "Culture is a form of simultaneous existence and communication of different people - past, present and future - cultures, the form of dialogue and the fruit of these cultures," writes V. Bibler [2, p.289]. In his opinion, this is the integral being of a person, defined as the phenomenon of self-orientation. "Culture is a lifestyle, and in this style it is the creativity of life itself, but not unconscious, in its turn conscious; culture is determined by the level of human consciousness, it is a story about the growth of our "I," it is individual and universal at the same time", - notes A. Bilyi. [1, p.91]. There is own style of activity, indifference to his/her business. And this is an important component of the professional culture of a specialist. It does not matter what profession and what area a person will work in. The main thing is that thanks to the creative attitude and indifference to work, a person will transform into a true master of his/her business, who is good at the components of professional culture: competence; morality; communicative qualities.

Thus, the functions of professional culture which are determined by its specificity and at the same time are a valuable manifestation embrace: the formation of a sense of moral responsibility; strict adherence to the established positive stereotype of behavior; elaboration of moral substantiation of office relations; readiness to perform official duty; development of a culture of professional activities; precaution measures on professional deformation; prevention from bureaucracy manifestations. The notion of professional culture is closely related to the notion of a labour culture. However, they are not identical. When it comes to any work, including unskilled, everyday, where special knowledge is not required, then it is advisable to use the term "labour culture ". But this concept can also mean skilled work related to specialization, professionalism, production activity. This means that the culture of work also contains a professional culture, that is, the first concept is wider than the second one. Professional culture is inseparable from the culture of a person, which is characterized primarily by labour, activity, performance of official duties. Only by labor, by its quality, man transforms the world and materializes his/her abilities. In addition, the person's culture is a philosophical category that reflects the level of human socialization, its suitability for one or another type of professional activity.

### Conclusions.

Professional culture as a component of the modern specialist's professionalism is formed by the needs that are satisfied by activity and through activity. The relevant needs are met in activities for understanding the psychological mechanism of forming a professional orientation. Professional culture includes a system of values, convictions, beliefs, expectations, symbols, as well as business and professional principles, norms of conduct, standards, which take place in the organization during the activity and which are perceived by employees. In well-managed organizations, each employee serves as a carrier of culture. A high culture determines the behavior of professionals who know how to act and what is expected from them.

Thus, professional culture provides the necessary level of professional functions performance and the prospect of specialist's self-improvement in the future. It manifests itself through the unity of personal and professional qualities of a specialist, the degree of the level that promotes social and spiritual development under conditions of entry into the domestic and European educational space. Today, there is a need for studying, identifying and analyzing this complex of qualities that are formed in the process of professional training at a higher educational institution and is the basis of success in professional activity. Therefore, professional culture is perceived as the higher level of professional activity, formed as a result of students' mastering professionally significant knowledge, skills and abilities, taking into account their needs for constant creative perfection. Modern education system sets the following tasks, in particular, professional development, vocational training, as well as the system of continuous education. They require a lot of efforts to organize scientific research and implement results in practice, the development of new technologies and appropriate scientific and methodological guidance of the educational process. Continuous vocational education is an essential component of lifelong education, reflects the global concept of "unity of the world", according to which all structural components of human civilization are interrelated, and contributes to the realization of the educational humanistic paradigm, since advanced man is in the center of all educational transformations, creating conditions for full disclosure of his/her abilities during life.

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**FORECASTING TRENDS FOR DEVELOPMENT OF UKRAINIAN  
ENTERPRISES OF SPHERES IN MUNICIPAL SERVICES IN MODERN  
CONDITIONS**

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**Abstract.** *Nowadays there is a problem of technical modernization and reforming of utility enterprises in the Ukrainian cities. Public utilities belonging to the municipal services of Ukraine - are a diversified economy that includes the most important aspects of the life of the population, has several thousand enterprises and organizations, which employ almost 25% of the state's basic assets, employing up to 5% of the able-bodied population of the country, which annually provide more than 40 types of services. Even so, for many years, the needs for changes in economic relations in the municipal economy has been felt too much, which is due to a number of external and internal problems faced by these enterprises. The main problem of enterprises in the municipal sector is the rise in prices for services due to lack of financing of fund renewal. Thus, the main task of each manager, both at the municipal and at the enterprise level, is to conduct analysis, diagnosis and forecasting of financial indicators of enterprises, which will subsequently allow them to make the correct management decision for further correction of their functioning. Forecasting the development of municipal enterprises, it is necessary to coordinate technical, organizational and financial measures among themselves, and in the preparation of development programs, strategies of various municipal enterprises and measures of the program of socio-economic development of the community. In the article, a thorough analysis of the financial and economic activity of the water supply and sewage company was conducted, and a forecast of activity was carried out using adaptive forecasting models. On the example of the material, it is possible to predict development trends on which management decisions of enterprises and municipal development programs will be based.*

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**JEL Classification: P41, C53**

**Introduction.**

Municipal services are the group of objects and entities engaged in economic activities on the territory of the municipality aimed at population needs satisfaction. The structure of the municipal services consists of the following elements: state enterprises of economic systems, municipal enterprises, organizations and institutions, enterprises of private and other forms of ownership.

The development of municipal economy is influenced by many factors and must be taken into account when determining trends and the strategy of municipal economics development. The factors are following [1]:

- territorial production;
- unity of the settlement system;
- unity of the social infrastructure system;
- population, density, proportion of the able-bodied population, settlement system, level of urbanization, migration, age and sex composition and other parameters determining the potential of labor resources;
- environmental and social-economic development;
- environmental Resources Management.

The study of these factors allows us to determine the real possibilities of the municipal economy. Municipal economy is an activity aimed at providing with high-quality and reliable life support services to the population, which is achieved by the effective development of the public utilities system. The branches of the municipal economy are services that are provided to the population. These are life support services (housing and utility enterprises: housing maintenance, water and sewage enterprises, energy and other engineering systems services, external landscaping), transport services, public safety, social and cultural services. The primary role among the entire spectrum of municipal services is played by utilities [2]. Municipal economics is aimed primarily at:

- stabilization of the economic situation and improvement of the structure of the municipality;
- use of local and regional resources for development an effective socially oriented economy and strengthening the social sphere;
- formation of a self-development mechanism in the municipality;
- formation of market infrastructure, ensuring efficient production in market conditions;
- creation a system of financial and economic measures that stimulate of the productive forces development, the implementation of its resource, human, social and natural potential;
- providing support to enterprises in overcoming the decline in production, minimizing social and economic damage from the collapse of uncompetitive industries;
- restructuring of production, its diversification of individual enterprises for the manufacture of goods and services that are in demand in the market;
- implementation of legal and economic measures to strengthen the local budget, expanding the revenue base;
- creation of favorable conditions for attracting domestic and foreign investors and the establishment of sustainable production-technological and commercial network between municipalities, as well as with foreign partners.



Accordingly, the activities of the enterprises in the field of municipal economy are basic for the city development and the possibility the revenue part of the budget of a territorial entity increasing. These enterprises combine a complicated and important area of the municipal economy, within there are both the consumption of material goods and the creation of appropriate social conditions for the livelihood of the municipal community [3].

The management strategy of public utilities should be aimed, first of all, for creation conditions that ensure a decent life of a person, in particular [2, 3]: constant access to quality housing and utility services; uninterrupted utility services; improving the environment. To achieve these goals is possible only thorough analysis of the financial and economic activities of the municipal enterprises.

### **1. Analysis of financial and economic activity of utility enterprises on the example of the UE "Novovodolazhke water supply and sewerage services" in Kharkiv region**

Utility enterprises of Ukraine are a complex object of management, which includes a set of services aimed at ensuring the immediate needs of the population and provides utilities with the entire infrastructure of the city, village and rural settlement. Utility enterprises are a complex hierarchical system that combines many separate subsystems [4]:

- a) housing;
- b) sanitary-technical (water pipelines, sewage, enterprises for clearing cities);
- c) power (power plants, boiler houses, heat, electric and gas networks);
- d) transport (trolleybuses, trams);
- e) objects of external improvement (roads, green plantations, bridges, embankments, etc.);
- f) housing maintenance infrastructure;
- g) waste collecting and recycling.

Among the subsystems of housing and utility services, the most important are the heat and water supply, which occupy almost 78% of the share [5]. Water supply entities are a complex of facilities and equipment, the operation of which requires systematic technical, economic and organizational measures, since the correct solution to the tasks associated with their conduct depends not only on the improvement of the city, but also on the normal life of the population and the work of industrial enterprises. The main common problems that exist in the utilities are:

- 1) tax system for service enterprises;
- 2) obsolete housing;
- 3) insufficient budget financing of housing repair;
- 4) passive attitude of inhabitants to the maintenance of public premises and adjoining territories;
- 5) low efficiency of utility companies;
- 6) inaccessibility of the public utilities market for private entities;
- 7) imperfection of the tariff policy of the state [6, 8].

An analysis of a number of Ukrainian utilities has shown unprofitability in the industry, which is caused not only by the above-mentioned problems, but also by unjustified management decisions, which leads to ineffective strategic planning in the future.

The water supply and sewerage system (hereinafter - WSSS), at the scale of the solved targets, is similar with the energy-intensive industries, such as power supply, gas supply, heat supply. The water supply and sewage enterprises are the strategic complex of the country and require the improvement of its management system.

The current WSSS management system does not cover the problems of its strategic development and is based on the administrative-departmental mechanism (for example, the establishment of a marginal profitability normative). It does not include the main economic levers aimed at reducing costs by reducing non-productive losses of energy, water and logistical resources, improving the quality of products and services provided to consumers by water supply and sewerage. The management system of the water supply and sewage facilities operation is mainly based on solving current technical problems (emergency and recovery works), that is, on short-term planning without taking into account strategic development goals (for example, reducing the number of accidents per 1 km of the water supply network a certain level). The management of enterprises has no motivation in the long-term and medium-term planning of a program for the development and modernization of water supply and sewage systems due to the lack of economic interest in reducing production costs.

The main stage of the development strategy of the reform of water and sewerage management system is to assess possible options for institutional reforms in the urban water sector aimed at solving the existing problems of water management.

The choice of one or another variant of the reform strategy will depend on the political will of the local government, as a rule, the main investor in the reconstruction (development) of the engineering infrastructure of water supply and sewerage facilities. Consequently, the financial condition of a water supply and sewerage enterprise is directly affected by the creditworthiness of the administration of a given city or settlement, which determines the scheme of financial and legal relationships between consumers of water supply and sewage services.

Currently, the activities of water supply and sewerage enterprises as a result of a lack of budgetary investments are characterized by:

- high capital intensity and energy intensity (on average, the share of energy consumption in the structure of operating costs is from 30 to 40%);
- lack of economic incentives to reduce the cost of water and sewerage services in the costly method of pricing;
- the presence of cross-subsidies (the average tariff for industrial enterprises, taking into account the growth of energy costs, is 10 times higher than the fixed tariff for the population).

The quality of WSS services remains at an unsatisfactory level in relation to the requirements of current legislation: only half of the water and sewerage flowing through the sewage treatment plant is purified to standard values.

The increase in the area of the housing stock, which has access to the water supply and sewerage systems, leads to the expansion of the network economy and an increase in its capacity. Reliability of water supply and wastewater is improving, which, however, is associated more with a decrease in pressure in networks, because of curtailment on demand, rather than capital investments. Thus, in studying the problems of regulation of economic relations in the utility services, highlights issues related to forecasting financial indicators and take the necessary decisions for further sustainable and break-even operation of utilities.

Therefore, on the example of the UE "Novovodolazhke water supply and sewerage services" (hereinafter UE "NWSSS") it is proposed to conduct an analysis of the main financial indicators. UE "NWSSS" is the unified technological and economic complex of water supply facilities for the production, transportation, distribution of water to consumers in Kharkiv region. This complex consists of technological facilities, constructions and distribution water supply networks, water preparation, quality control, transportation and supply of drinking water. At the same time, the water quality is provided by a system of regulation of technological regimes from water intakes to the consumer, which is operated by a single dispatching and technological center at all stages of purification, disinfection and transportation of water - from gaining it to the consumer, in normal conditions of water supply and during emergency situations.

Analysis of the UE "NWSSS" activity was conducted during the research.

It is important to study the technological (specific) classification and its basis for determining the proportion of fixed active (for example equipment etc.) and the passive part of fixed assets (first of all it's buildings etc.). Increasing the active part of fixed assets testifies to the fact that their structure is progressive. In the process of analysis, it is necessary to determine the influence of the structure of fixed assets (the shares of their active part) on the overall change in the general indicators of the enterprise's activity (volume of production, productivity of labor, returns on assets etc.).

During the analysis of the composition and structure of fixed assets can be used analytical Table 1. According to the analysis, in 2016, the availability of fixed assets at the beginning of the year amounted to 2240,9 thousand UAH, and in 2018 – 2321,1 thousand UAH. Received fixed assets in 2016 - 19,8 thousand UAH, and in 2018 received on 100,5 thousand UAH more than in 2016. Disposal of fixed assets in 2016 was 7,1 thousand UAH, in 2017 - 74,7 thousand UAH, which is on 67,60 thousand UAH exceeding 2016, such a disposal of fixed assets could be due to a large depreciation coefficient of fixed assets. And in 2018 it turned out only 1.8 thousand UAH, which is on 5,3 thousand UAH less compared to 2016 and 72,9 thousand UAH in 2018 year.

**Table 1. Assessment of the composition and structure of fixed assets**

Fixed assets	2016		2017		2018	
	Amount, thousand UAH	Share, %	Amount, thousand UAH	Share, %	Amount, thousand UAH	Share, %
Building	1041.3	46,47	806,3	36,61	819,4	35,30
Construction	908.3	40,53	717,7	32,58	670,5	28,89
Transfer device	154,5	6,89	600,5	27,26	752,3	32,41
Machinery and equipment	98,9	4,41	68,7	3,12	68,7	2,96
Vehicles	28,5	1,27	0,6	0,03	0,4	0,02
Tools	9,4	0,43	8,8	0,40	9,8	0,42
Total	2240,9	100	2202,6	100	2321,1	100

As we can see from the table, the largest percentage is made up of buildings, in 2016 they amounted to 46,47%, in 2017 – 36,61%, and in 2018 – 35,30%; on the second place there are construction: in 2016 – 40,53%, in 2017 – 32,58%, and in 2018 – 28,89%. The vehicles hold the smallest share in 2016 - 1,27%, in 2017 - 0,03%, and in 2018. - 0,02%.

Correlation between active and passive part of fixed assets reflects a technological structure that is progressive and efficient. As we can see from the table, from 2016 to 2018 the passive fixed assets predominate. In 2016 the active fixed assets amounted 37.4%, and passive - 62.6%, in 2017. - only 3,6% were active, and passive, almost, the main part of fixed assets – 96,4%, in 2018 active – 3,4%, passive – 96,6%. Such indicators testify to the decrease and degradation of the technological structure.

Also, the analysis of financial results over the past 3 years has shown that each year, first of all, material expenses increase, in 2016 it amounted to 105,9 thousand UAH (14,4%), in 2017 - 129,9 thousand UAH (14,0 %), and already in 2018 - 195 thousand UAH (17.0%). Also, the labor costs considerably increased in 2016, they amounted to 286,1 thousand UAH (38.8%), and in 2018 - 463.9 thousand UAH (40.4%). This is due to the increase in the number of employees on the enterprise. The social contributions increased in concert with the labor costs. Also, other operating expenses increased from 163.9 thousand UAH in 2016 up to 254,8 thousand UAH in 2018 year. Amortization decreased, in 2016 it was - 74,9 thousand UAH (10,2%), in 2017 - 70,5 thousand UAH (7,6%), and in 2018 - 65,6 thousand UAH (5.6%), it is evidence that the depreciation coefficient of fixed asset decreased. In general, in 2016 expenditures amounted to 739,8 thousand UAH, in 2017 - 935,7 thousand UAH, and in 2018 - 1150,5 thousand UAH.

Analyzing the company's revenues, it should be noted that the largest income of the UE "NWSSS" receives from the water supply services. In 2016, net income from water supply amounted to 234.9 thousand UAH, and from sewerage 205.0 thousand UAH.

In 2017, from water supply - 291,2 thousand UAH., from sewerage - 317,5 thousand UAH, and in 2018 from water supply - 371,7 thousand UAH, from sewerage 464.0 thousand UAH. Financial and other incomes of ordinary activities in 2016 amounted to 8.2 thousand UAH, and in 2018 - 6,5 thousand UAH

It is interesting to study the correlation between the dynamics of current and capital assets, as well as the investigation of the property condition and the efficiency of its use (Table 2). From the Table 2 it can be seen that the rate of growth of correlation coefficient of current and capital assets amounted to 115,4% in 2017 in comparison with 2016. The rate of growth of Mobility ratio of property value was in 2017 – 108,3%, in 2018 – 92,3%.

**Table 2. Correlation between current and capital assets**

Indicators	2016	2017	2018	Rate of growth,%	
				2017/2016	2018/ 2017
1. Correlation coefficient of current and capital assets	0,13	0,15	0,14	115,4	93,3
2. Mobility ratio of property value	0,12	0,13	0,12	108,3	92,3
3. Mobility ratio of current assets	0,01	0,26	0,16	2600	61,5
4. Correlation coefficient of current assets and the total value of property	0,12	0,13	0,12	108,3	92,3

Thus, the analysis showed that during the last three years the company was working unstable - in 2017 there was a loss of 146.6 thousand UAH, and already in 2018 the enterprise started to work better and received a small profit amounting to 60,8 thousand UAH.

## **2. Forecasting of financial results of activity of utility enterprise in Kharkiv region**

On the example of the investigated UE "NWSSS" it is proposed to analyze the main financial indicators, to forecast its financial results and to offer the right management decisions that will enable the company to minimize losses.

Taking into account the importance of the enterprise's activities of water supply and sewerage to the population, it is proposed to forecast the financial results of the UE "NWSSS" for the 4th quarter of 2018 using adaptive forecasting models for further management decisions.

When developing forecasts, the following methods are used [7]:

1. Methods of expert assessments.
2. Methods of logical modeling.
3. Methods of economic-mathematical modeling.

Methods of expert assessments are based on the use of expert opinions or a group of such experts in the development of forecasts.

Methods of logical modeling are used mainly for qualitative description of predicted processes. There are the general principle of the development of the predicted object of management, studied in a certain logical sequence in their basis.

Methods of economic-mathematical modeling are based on simulating the real behavior of the object of management, by constructing the corresponding economic and mathematical models. These are the most advanced methods in forecasting socio-economic processes. the method of mathematical extrapolation is widely used. It allows to continue the tendency of changing the economic parameter from the field of its observation in the past to the future. Therefore, forecasting of financial results of the enterprise is proposed precisely by using adaptive forecasting models [9].

Adaptive methods are called forecasting, which allow to build self-adjusting economic and mathematical models, which are able to react promptly for changing conditions by taking into account the result of the forecast made in the previous step, and taking into account the various information values of the levels of the series. Due to these properties of adaptive methods are particularly well used for short-term forecasting (with one or several steps forward) [5]. To adaptive methods include a lot of different techniques, but to obtain a short-term forecast according to available series, it is expedient to use methods of exponential smoothing [8, 9, 12].

Calculation of exponentially smoothing values is carried out according to the following formula [5, 9, 10, 12]:

$$S_t = \alpha \cdot X_t + (1 - \alpha) \cdot S_{t-1}, \quad (1)$$

where  $S_t$  – smoothed levels values;

$X_t$  - output levels values;

$\alpha$  - smoothing parameter.

Modifications and generalizations of this model led to the appearance of a whole group of adaptive models with different properties [5, 9, 10, 12].

A lot of occurrence in the economy are characterized by periodic seasonal effects. Accordingly, time series contain periodic seasonal fluctuations. These series and their fluctuations can be represented as generated by models of two main types: models with multiplicative and with additive coefficients of seasonality [5, 9, 10, 12].

The first type models have the form [5, 9, 10, 12]:

$$x_t = \xi_t + e_t; \quad (2)$$

$$\xi_t = a_{1,t} f_t, \quad (3)$$

where  $a_{1,t}$  - the dynamics of the value is characterized by the tendency of the process;

$f_t, f_{t-1}, \dots, f_{t-l+1}$  – seasonality coefficients;

$l$  – the number of phases in the full seasonal cycle;

$e_t$  – non-auto-correlation noise with zero mathematical expectation.

The second type models have the form [5, 9, 10, 12].

$$x_t = \xi_t + e_t; \quad (4)$$

$$\xi_t = a_{1,t} + g_t, \quad (5)$$

where  $a_{1,t}$  - the dynamics of the value is characterized by the tendency of the process;

$g_t, g_{t-1}, \dots, g_{t-l+1}$  - additive seasonality coefficients;

$l$  - the number of phases in the full seasonal cycle;

$e_t$  - non-auto-correlation noise with zero mathematical expectation.

For the construction of models were used the application packages of Statistica 8.0. Adaptive models are built in the Time Series Forecasting module. Statistica 8.0 makes it possible to construct adaptive models with different types of trends (linear, exponential, fading trend, and also without trend) and multiplicative or additive seasonality [5]. To find the adaptation parameters for constructing models, we used the built-in Automatic estimation function. This function automatically calculates the model with all possible combinations of parameters and gives the most adequate model. The adequacy of the model is determined by the value of the average absolute percentage error. The program gives the model with the smallest mistake, because the smaller the error, the more accurately the model describes the actual process. Approbation by adaptive models of forecasting was carried out and implemented on an example of UE "NWSSS". The most adequate model with mean absolute percentage error (m.a.p.e.) was selected for each individual diagnostic indicator of the financial state of the enterprise [5].

Exponentially smoothing adaptive models, which were used to predict the indicators, include the model: no trend, linear trend, exponential trend, fading trend. The choice of models was conducted separately for each diagnostic indicator of the financial condition of the enterprise. Thus, for determination the forecast of financial result of UE "NWSSS" is proposed to conduct forecasting of incomes and expenses of the enterprise using modern adaptive models. Quarterly figures of UE "NWSSS" incomes and expenses for the period 2016-2018 are the baseline for forecasting. They are presented in Table 3.

**Table 3. Baseline for forecasting of financial result of UE "NWSSS", thousand UAH**

Period	Income	Expenses
2016 -1 Quarter	186,2	180,4
2016 -2 Quarter	185,4	173,5
2016 -3 Quarter	179,9	179,4
2016 - 4 Quarter	196,1	184,5
2017 -1 Quarter	195,4	240,1
2017 -2 Quarter	199,2	222,5
2017 -3 Quarter	190,0	235,7
2017 - 4 Quarter	197,2	233,9
2018 -1 Quarter	300,7	297,2
2018 -2 Quarter	298,2	289,9
2018 -3 Quarter	300,7	292,1
2018 - 4 Quarter	302,4	297,6

The comparison of income models forecasting of UE "NWSSS" is presented in Table 4.

**Table 4. Selecting a model for forecasting the enterprise's income**

Model name	Type of forecasting model	Diagram	M.a.p.e.
Without trend	$\alpha=0,9$ , $S_0=1,196$		6,656%
Linear trend	$\alpha=0,9$ , $\gamma=0,4$ , $T_0=0,017$ , $S_0=0,6225$		22,431%
Expo-nential trend	$\alpha=0,9$ , $\gamma=0,9$ , $T_0=0,8833$ , $S_0=1,926$		4,405%
Fading trend	$\alpha=0,9$ , $\gamma=0,9$ , $\phi=0,8$ , $T_0=0,035$ , $S_0=1,827$		4,0578%



The forecasting model of the expenses of the UE "NWSSS" is presented in Table 5.

**Table 5. Selecting a model for forecasting the enterprise's expenses**

Model name	Type of forecasting model	Diagram	M.a.p.e.
Without trend	$\alpha=0,9$ , $S0=0,283$		64,088%
Linear trend	$\alpha=0,9$ , $\gamma=0,9$ , $T0=0,0009$ , $S0=0,0016$		19,193%
Exponential trend	$\alpha=0,9$ , $\gamma=0,9$ , $T0=3,251$ , $S0=0,0012$		15,118%
Fading trend	$\alpha=0,9$ , $\gamma=0,9$ , $\phi=0,6$ , $T0=0,001$ , $S0=0,0016$		8,958%

Comparison results have shown that an adequate result of forecasting is using a fading trend, because the model error is 8,958%. The selection of models with the specified percent of errors for UE "NWSSS" is presented in the Table 6.

**Table 6. Selecting a model for forecasting the enterprise's financial results**

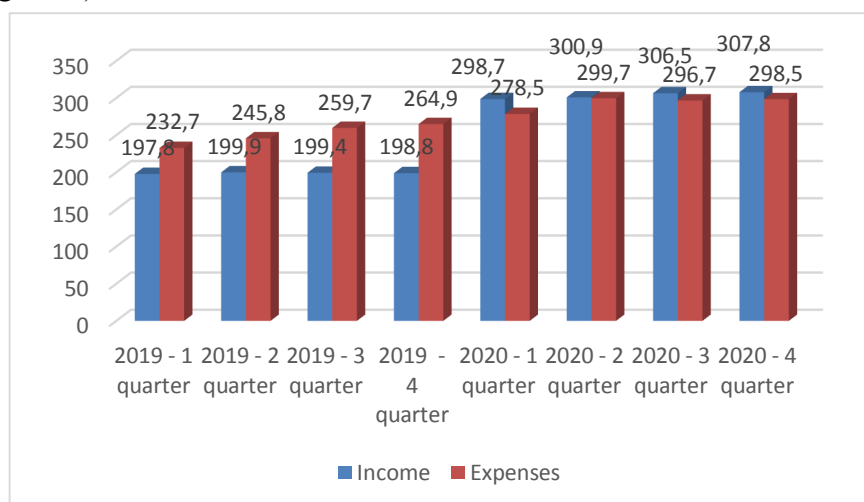
Financial result	Model	M.a.p.e.
Income	Fading trend	4,0578%
Expenses	Fading trend	8,958%

The results of the forecast are presented in Table 7 [1.5].

**Table 7. The forecasting financial results of UE "NWSSS", thousand UAH**

Period	Income	Expenses
2019 - 1 quarter	197,8	232,7
2019 - 2 quarter	199,9	245,8
2019 - 3 quarter	199,4	259,7
2019 - 4 quarter	198,8	264,9
2020 - 1 quarter	298,7	278,5
2020 - 2 quarter	300,9	299,7
2020 - 3 quarter	306,5	296,7
2020 - 4 quarter	307,8	298,5

Thus, using adaptive models were estimates of income and expenses of UE "NWSSS" (figure 1).



**Fig. 1. The forecasting financial results of UE "NWSSS": income, expenses, thousand UAH**

Thus, in the forecast period - in the 4th quarter of 2020, the income of UE "NWSSS" will be 307,8 thousand UAH, which is on 5,4 thousand UAH more than in the 4th quarter of 2019 and expenses - 298,5 thousand UAH, which is on 0,9 thousand UAH more in comparison with the 4th quarter of 2019. It should be noted that this forecast, for 2020, does not give 100% certainty, as the activities of utility companies are influenced by a number of internal and external factors. Management of the enterprise and executive body of municipal authorities will be necessary to develop and implement a number of management measures in order to maintain the financial stability of the enterprise in the future.

Management of utility companies depends not only on the quality of decision-making by the management of the enterprise, but also on the quality of the reform program being developed at various levels. The quantitative and qualitative results of the reform of the utility sector depend on how well the projects, strategies and programs will be developed, and how it will be organized through monitoring and control of the implementation of these decisions [16]. Program management takes place on four levels [3]: state level - the development of a nationwide sector reform program with the identifying of forecast values for macroeconomic indicators and taking into account the economic course of state development; regional level - the development of a regional program management model, analysis and monitoring of the reform in sub-sectors, justification of the projects for financing from the state and local budgets, control of the activities of housing and utility enterprises at the regional level; city level - the development of a city program and model of governance, optimal ownership and organization of housing and utilities enterprises in the city, analysis and monitoring of the enterprises development reform and its results, justification of projects for financing from the city budget, substantiation and organization of granting of a guarantee to investors; enterprise level - development of a strategic plan, control over strategy implementation, project development, organization of attracting external funds, tendering and procurement, project monitoring, preparation of documents for senior executives.

### **Conclusions.**

Based on the analysis of the status of the water supply and sewerage enterprise, we can conclude that the industry entered the stage of economic crisis, being in a protracted depression and not having a margin of safety. Crisis, especially the price increase due to inflation, high borrowing costs and exchange rate differences, leads to an increase in operating costs and the activity will make it difficult to implement investment projects involving debt financing. These circumstances and the complexity of predicting the crisis allows to suggest the possible directions of the industry development. These trends of development are followings: technical direction - improving the quality of investment projects and justifying tariff decisions through technical standardization; staffing direction - special attention should be given to the development of required competencies in training workers in the sector; ecological direction - to improve existing and introduce innovative economically accessible environmental protection technologies in the preparation of drinking water and wastewater treatment in order to reduce the negative impact on the environment [17]; economical direction - implementation of benchmarking based management system, target indicators, monitoring of the situation in the industry; financial direction – search for investment. An important source of financial support for the transformations are interactions with budgets of various levels. State support water utilities can be provided as a direct way, by providing grant, tax concessions or loans on special terms, and indirectly - through the guarantee provision on loans, and through targeted support for the indigent.

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## **ANALYSIS OF PROFESSIONAL PREPARATION FOR FUTURE OFFICERS OF THE STATE OF ARMED FORCES OF UKRAINE IN THE SYSTEM OF MODERN MILITARY EDUCATION**

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**Abstract.** *The main purpose of the concept of transformation of domestic military education is to achieve an effective system of training in accordance with the need for professional training and development of future military specialists in the conditions of full compatibility of national military education with the military educational environment of the Euro-Atlantic security space states. Ukrainian military education at the present stage is experiencing large and complex processes of reform. The length of these phenomena has been rather long in time due to their globalization. Reforms aimed at Euro-Atlantic integration should lead to a change in the format from the training of future reserve officers focused on career growth to the direction of the academic type of higher military education, in which the readiness of future military specialists will enable the need for professional conversion into military activities, and, vice versa.*

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**JEL Classification: A30, I21.**

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### **Introduction.**

The problem of improving the quality of professional training of future reserve officers of the Armed Forces of Ukraine in the system of modern military education is actualized due to the increasing number of threats that determine the need to develop safe behavior skills and professional preparedness for action in extreme situations related primarily to Russia's planned armed aggression against Of Ukraine. In the context of the Operation of the United forces, this issue is a priority and not sufficiently investigated, because it defines: psychological and mental condition (positive attitude to the profession, motivational setting), the availability of abilities, the quality of the individual, the procedural orientation of the individual to a particular activity, volitional qualities of personality, character traits, ability to learn, ways of behavior, practical skills and abilities, intrapersonal education, development of professionally important cognitive processes, manifestations of temperaments NTU internal configuration and adaptation of the individual to successful operations in extreme situations.

In the conditions of the modern militarization of the system of international relations, the intensification of military preparations, the increase of military budgets, the reformation and rearmament of the Armed Forces and other security structures of most countries, the issue of personnel readiness for combat missions becomes of particular importance.

The relevance of the study of innovation issues in military education is due to the need to seek ways to improve the quality of training of future reserve officers, due to the exhaustion of opportunities traditional approaches and technologies that take place in the military-educational process and taking into account the experience of combat operations in the east of Ukraine, experience Leading NATO countries for conducting modern armed struggle [18, p.202].

An integral part of higher education in Ukraine is the training of officers who are involved in the training of citizens in the reserve officers training program. In a situation where the system of higher education is fundamentally reformed in Ukraine, a number of military training units of higher education institutions have been reduced, there is a need for developing innovative approaches to designing the content of reserve officers training in military departments, which becomes of paramount importance and directly concerns the national security of the country, since they activity can significantly affect the combat readiness of military units and units. Consequently, there is a need for a qualitative development, implementation, continuous improvement (in accordance with modern requirements) of certain pedagogical foundations of the above-mentioned vocational training in higher educational institutions [14, p.128].

What is relevant for our study is the scientific position that the professional activity of military specialists sets new requirements that graduates of the training department of reserve officers have never encountered in their everyday lives. The main requirement is the constant readiness to carry out their professional appointment at any time and under all conditions, including in the immediate risk to life, which in itself causes a constant psychological tension.

Among the many military experts interviewed in the eastern part of Ukraine, there is an objective opinion that the overall educational and professional level of reserve officers is much lower than the educational level of graduates of higher military educational institutions, which enables the latter to adapt more quickly to extreme conditions . The specifics of the training of contemporary student youth at the departments of military training of institutions of higher education in Ukraine is that the vast majority does not link their future professional activities with the military profession acquired as a result of additional training. Military training is not essential for students. For this reason, reserve officers who have completed military training in military departments are definitely inferior to officers who have been trained in higher military educational institutions.

## **1. Psychological-pedagogical problem of professional training of future reserve officers in Ukraine**

Modern researchers O. Arshinov, O. Beznosyuk, V. Evstafiev, G. Kabakovich, Y. Kudryavtsev, M. Naumenko, M. Neskadim, E. Podterger, V. Royillan, S. Sinkevich, M. Solovtsov, Yu. Tarsky, S. Filkov, I. Khorev, V. Chbanenko, S.V. Yaremchuk, who studied issues related to the practice of vocational training of reserve officers in higher educational institutions of Ukraine, came to the conclusion that the formation and development of professional military pedagogical interest students as the basis of their creative orientation in working with future (potential) subordinates. S. Yaremchuk notes that the need to combine managerial functions with the transfer of professional knowledge, skills and skills to others (for example, personnel) necessarily leads to an increase in motivation to teach, including - an interest in educational and cognitive activity [23].

At the present stage, according to the decision of the Council of National Security and Defense of Ukraine dated March 4, 2016, «On the Concept of the Development of the Security and Defense Sector of Ukraine», among the main tasks is the professionalization of the professional training of the necessary human resources reserve, which should include:

1. Intensification of participation of Ukrainian representatives in international exercises, training missions, trainings, educational programs, consultations, internships and other similar events.

2. Improvement of the system of selection, placement, training and staff training.

3. Optimization of the system of higher military educational institutions and training units of the security and defense sector, organization of training specialists for the needs of the security and defense sector in accordance with state orders for related specialties in relevant specialized educational institutions, regardless of their departmental affiliation, with the obtaining of their European level of education, which is recognized as a European company.

4. Formation of a sufficient number and level of training of the reserve of specialists of the most disadvantaged specialties for operational replenishment of the needs of the components of the security and defense sector.

5. Ensuring the further development of the service in the military reserve.

The implementation of the principles envisaged by the Concept for the development of the security and defense sector will enable the creation of capable, multifunctional, mobile, well-trained, well-equipped, professional security and defense forces capable of effectively executing mission assignments [9].

E. Brigaty says that the professional training of future reserve officers should be aimed at forming a positive attitude to the profession, motivational adjustment, personality quality, procedural orientation of the person to a certain activity, moral and volitional personality traits, character traits, ability to learn, behaviors, practical skills and abilities, internal personality formations, professionally important cognitive processes, manifestations of temperament, internal settings and personal adaptations to successful action [8].

According to I. Yu. Tunik, the peculiarity of the professional training of reserve officers is the existence of situations in which it is necessary to make the correct decision in the short term, and in conditions of partial or complete uncertainty, therefore the essential characteristic of the reserve officer is his ability to possess such a situation, which requires Military Specialist of Great Intellectual Voltage [19, c. 140]. We share the opinion of the scientist that each predicted future officer of the reserve error is complicated by the possibility of using its opponent, which is why its negative consequences are greatly increased. In this regard, the ability to predict, predict is a necessary element of the training of future reserve officers in institutions of higher education in Ukraine. Analysis of statistical data of recent years shows that today the training of future reserve officers in Ukraine is a priority and not sufficiently investigated issue. The existing system of stockpiling officers generally justifies itself and provides the accumulation of the necessary mobilization resources for wartime in favor of mobilizing the deployment of the Armed Forces of Ukraine. However, it has certain problems and disadvantages that negatively affect the final results. To them, basically, there are such contradictions:

1. Between necessary level of normative-legal and organizational-methodical base of training of reserve officers in higher educational institutions and the current state of the educational and material base of the majority of military departments.
2. Necessity of qualitative selection and acquisition of military departments by scientific and pedagogical composition and absence of criteria and levels of selection of teaching staff of higher educational institutions for work with future reserve officers.
3. The need for the implementation of modern ideas, innovations and technologies of education and training that meet the requirements of European and world levels, and the real organization of the educational process of institutions of higher education.

V. V Baryshnikov, O. K. Neymarok argues that one of the drawbacks of the current modern system of stockpile training is the lack of physical education of students during training at the military training department, because they are engaged in their main educational institutions. Meanwhile, on the battlefield, the officer may face such military-specific exercises as moving in different ways, overcoming obstacles, hand-to-hand combat, marching in a hiking order over long distances .... Therefore, the study and development of these issues is proposed to be included in the curriculum "[6, p.159]. The authors note that physical training in the system of training US reserve officers is not the last place.

A. I. Bobnikhov notes that the future reserve officer as a specialist in a narrow profile, should have a high professional competence with developed creative thinking. This task can be solved only with the close relationship of the educational process and the knowledge gained from the main - civilian specialty received on the main faculty and additional knowledge received in military departments at civil universities [7, p.28]. In this context, one should outline O.V. Kustinsky, in which it is stated that at the present stage higher education establishments preparing future reserve officers need to make a transition from the school of memorization to



the school of thought. The officer must be able to make optimal decisions in a situation of constant change and skillfully manage subordinate units [13, p.115].

Future reserve officer needs to learn the ability to make non-standard decisions, creatively approach to identify the best ways to overcome difficulties. the creative activity of the officer does not arise out of his desire, but due to the constantly existing need to navigate and act in a complex rapidly changing situation. The need for creativity appears when a person faces difficulties that need to be overcome, and there are no ready rules (solutions) for solving this problem [2].

N.V. Kalinuk notes that among the wide range of competencies that a future reserve officer must own, a professional communicative occupy a special place. This is due to the specifics of the officer's professional activities, as well as the requirements for his professional readiness. The reserve officer must have the strategy and tactics of a business conversation and public speaking, adhere to the norms of ethics, psychology and communication culture, know and be able to apply in practice the communicative methods and techniques of managerial influence. In addition, in resolving the tasks of operational activities, the future officer must be able to communicate with both subordinates and with the local population in Ukraine and abroad [12, p.103].

The training of future reserve officers in higher education institutions should ensure the acquisition of the following knowledge and skills that will characterize the high level of formation: a clear understanding of the signs of future professional activity, high readiness for professional self-realization, the ability to express opinions and argue its advocacy, availability to analysis, synthesis and ability to establish causal relationships, criticality and self-criticism, social plasticity through tolerance, leadership and leadership Indian qualities [5, p.17]. All this updates the need for the continuous formation of communicative knowledge, skills and abilities of future reserve officers.

It should be noted that the overwhelming majority of modern scholars, when discussing the conditions for the preparation of future reserve officers, are increasingly turning to the need to develop innovative approaches to designing the maintenance of professional training of reserve officers in military departments, which becomes of paramount importance and directly concerns the national security of the country, since their activities can significantly affect the combat readiness of military units and units. Consequently, there is a need for a qualitative development, implementation and continuous improvement (in accordance with modern requirements) of the pedagogical conditions for the training of future reserve officers in institutions of higher education of Ukraine.

These features, related to the organization of training of future reserve officers at universities, have not been adequately reflected in the military-pedagogical literature. Insufficient account is taken of the current requirements of military education related to the integration of Ukraine into the European Union and NATO's military-political alliance.

Indicative in this respect, according to I. Yu. Tunik, is the presence of situations when it is necessary to make the correct decision in the short term in conditions of partial or complete uncertainty, therefore the essential characteristic of the reserve officer is his ability to possess such a situation that requires a military specialist of a large of intellectual stress, since each assumption of error is complicated by the possibility of using its opponent, because of which its negative consequences are greatly increased [20, p.140]. In this regard, the ability to predict, predict is a necessary element of the current professional training of future reserve officers in higher education institutions in Ukraine.

## **2. Modern models of pedagogical conditions for the training of future reserve officers in Ukraine**

Revision of the main provisions of the Military Doctrine of Ukraine, the large-scale rearmament of the Armed Forces of Ukraine caused by the temporary occupation by the Russian Federation of part of the territory of Ukraine, and the presence of armed conflict in the eastern regions of Ukraine - require an innovative rethinking and modernization of domestic military education. The emphasis is on theory and methodology of military leadership and competence-oriented mentoring. The study of the theory and methodology of military leadership is an important condition for the formation of the general and pedagogical culture of future officers as military specialists of the highest qualification level, which will subsequently replenish the reserve of officers in various fields of professional activity of the Armed Forces of Ukraine and other military formations.

The proposed work program of normative discipline «Military Science and Leadership» is developed on the basis of the curriculum: «Military Science and Leadership» (Courses (MILS) Military Science and Leadership), the educational standard of the USA in the direction of training: «Military Sciences: Officer of the Reserve» (Military Science: Army (ROTC) Reserve Officer Training Course) at civilian higher education institutions, where the main focus is on the formation of three main qualities that are characteristic of modern professional military: competence, responsibility and loyalty his business.

The educational discipline «Military Science and Leadership» examines the section of the educational and vocational training program of the Military Training University in Ukraine: «Method of work with personnel» and aims at qualitative development of the initial components of readiness of future reserve officers for professional activities, namely: cognitive, motivational, personally-oriented, emotionally-volitional. The curriculum includes two modules. The first content module «Basic Course» (Basic Course) reveals the methodological and theoretical foundations of fundamental concepts and leadership doctrines, the practice of its effective skills, which underlie the solution of problems; Army values, expected behavioral ethics and officer experience are analyzed; addressing personal challenges and competences that are critical to effective leadership and communication; Students / cadets learn how personal qualities of life skills, such as cultural understanding, goal setting, time management, stress management and comprehensive physical fitness associated with leadership, job responsibilities

and military occupation, are revealed; discloses the use of active listening and feedback skills; An analysis of the factors influencing the effectiveness of leaders and groups is conducted.

The second module «Advanced Course» examines the history of the Ukrainian army from the ancient Slavic civilization to the present; the ethics of command microclimate is studied; the readiness for success is formed as a result of practical leadership responsibility for satisfying the subordinate spiritual needs; the principles and methods of written and oral communication are revealed; Studying the experience of national advanced successful leadership; an analysis of the duties and methods of counseling, the principles of subjective motivation and organizational changes; the practical application of the principles of leadership in difficult situations is studied on the basis of the practical reproduction of the proposed thematic simulations; the basics of leadership of the direct level and the tactics of the small unit at the platoon level are studied; purposeful complex physical training is carried out for compliance and superiority of the standards of physical training established by the Armed Forces of Ukraine.

Leadership model is designed to help students maximize their potential. The Ukrainian Armed Forces are waiting and nurturing character leaders, which are good examples for imitation, constantly showing examples of accomplished missions. The Military Science and Leadership Development Leadership Training Program is a preview of the current ongoing military appraisal system, a preliminary assessment of the effectiveness of future reserve officers as potential leaders of the military units of the Armed Forces of Ukraine.

The US military literature defines the concept of «leader development» as a continuous and progressive process of becoming a leader, which fully embraces his studies, education and experience through his own prism of self-development (Army Doctrine (ADRP)) [4]; conscious, continuous, progressive, competent, professional character of the leader (Strategy for the Development of the Army Leader (ALDS)) [21]; Competent and confident manager capable of decisive action (Field Guide (FM)) [10].

Despite the subtle differences in these definitions, there is still a common constant. Leadership is the process of the word. The continuous process of development of the leader takes place in three spaces: operational (professional environment), established (formal environment), individual (own environment) [3]. We consider the development of military leadership as:

1. As a process, the development of the leader is carried out as "deployment" of existing, but "collapsed" to the time of the properties of this integrity, or "origin" and the formation of new properties.

2. As a condition, the development of the leader manifests itself in the process of activity aimed at the emergence of qualitatively new stable emotions, resulting in a qualitative change and renewal of the whole personality integrity.

3. As an integrative creative process of conscious personal formation, which is based on the interaction of internal and external factors, which are characterized by expedient internal activity and a conscious orientation towards the formation, deployment and improvement of the properties, parties and qualities that are not significant before.

4. The development model of the leader should be constructed with a focus on the process and a result in the proportion of 50 to 50. That is, perfect professional activity is then perfect when it is equally well developed and processes, and there are sustained positive results. Oppose the process and the result is incorrect. In the case of achieving any goal, both are important.

V. V. Hrytsanyuk argues that mentors are usually more educated and experienced people who do not put themselves in a position of dominance over others, but the pupil receives support, patience, enthusiasm, inspiration for new achievements. The mentors give new ideas, thoughts, open up prospects, and most importantly - instill social values and norms, using which, the pupil can socialize and arrange his life [11, p.47].

O. Semenog examines mentoring as a micro pedagogy of a teacher-tutor and his open environment in which an experienced specialist represents and his own example helps to form samples of behavior models, personal stances, teaches to read and interpret cognitive contexts, translates examples of assimilation of cultural norms and values, transmits value systems in shaping the thinking style of the pet. Personal and professional development, self-development, self-realization of the individual depends on the personality of the teacher-tutor, who skillfully accompanies, directs, dynamizes the process of adaptation to the requirements of the profession, to self-knowledge and self-development of individuals as self-sufficient and successful in the national and global space. Multidimensionality and multidimensionality of mentoring are characterized by the intellectual-ethical system of values that determine professional activity based on the pedagogically adapted experience of cognitive activity, the culture of high spirituality and morality, special behavior and communication, high quality of work and responsibility for its results [17, p. 46].

For example, the US Army, as a state institution, recognizes the need for implementation and implementation of targeted mentoring programs that are crucial for the upbringing and professional development of future military leaders in today's changing, uncertain, complex and ambiguous international environment. Efforts are so convincing that Strategic Conclusions and Recommendations on the Establishment, Implementation, and Development of Military Mentorship Concepts Influencing the Army as a whole, its Culture, and the Army Training and Leadership Development Panel have been developed by the US Army in the field of military leadership development (ATLDP) on the education system in the process of training future officers, on the training of future military experts, on the systemic approach to training and the development of leadership institutions. In particular, in the famous military pamphlet (Pamflet 350-58), Immortal Heritage, Development Leadership for the US Army interprets: «The commander as a leader solves the problem, develops, controls, and conducts collective and individual exercises, including them in professional development programs, and also stands as an organizer, primary teacher, trainer, consultant, in special cases - mentor. Mentoring is more personalized and individualized than traditional education. Such mentoring involves frank dialogue, advice, career development, care and support, dedication and help» [22].

Summarizing the diversity of theoretical and methodological views of the implementation of mentoring programs, we can conclude that the logic of the professional training of military specialists in the context of mentoring in the context of a competence-oriented approach is the most receptive and will consist of two complementary units: the logic of direct professional military training and the logic of the Institution of a person in conditions of modern military-vocational training on the basis of activity of the formed mentoring institute, direct another the formation and development of military-professional competences and refocused the content of the educational process that "should serve as" training is how to professionally operate in conditions of modern combat, using the experience of modern wars and armed conflicts.

The statistics show that a large number of young military experts who graduated from the military training units in the specialty of «Reserve officer» do not seek to devote their work to military service. There are several reasons: poor motivation for further professional growth in the military sphere; the inability to apply in practice theoretical knowledge gained during training; insufficient or missing experience of subordinate management.

In these conditions, competent support and support of young specialists is important not only for the staff of the military training unit and the administration of the institution of higher education, but also for its colleagues, first of all, by experienced military servicemen or dismissed. Therefore, the main task of the mentor is to help adapt to non-simple working conditions, and the issue of mentoring is now more than ever relevant.

The main purpose of mentoring in military education is the professional formation of a young military specialist, his active life position, together with his formation as a personality, as an individuality, and then as a reserve officer who has special knowledge and skills in the military field for a certain kind of professional activity.

The main tasks of competence-oriented mentoring:

1. To inquire for future stock officers interest in military service.
2. Facilitate the successful adaptation of young professionals to corporate culture and the rules of conduct in the military environment.
3. To accelerate the process of professional development of the future officer of the reserve, to develop his ability to independently and qualitatively fulfill the duties assigned to him.

In Ukraine, future stocked officers are trained for two years in two stages - the training program for the Joint Forces Junior Commanders and the training program for a Special Officer. Military training of reserve officers in Ukraine is included in educational (educational-professional or educational-scientific) training programs and curricula of a higher educational institution. Higher education graduates undergo military training as a separate academic discipline, consisting of a theoretical and practical course of military training in a military unit or at a higher military educational institution; comprehensive practical training courses for primary military training on the basis of military units or training centers of higher military educational institutions (military training units) and training collections. Military training of citizens of Ukraine under the program of officers is

carried out at the expense of funds received from individuals and legal entities as payment for services related to training. Military training under the reserve officers program is considered part of the educational-professional program and curriculum of the corresponding faculty of the higher educational institution, is scheduled and conducted by the «day of war» method once a week. The results of mastering the program of reserve officers are included in the appendix to the diploma of higher education as a separate content module (educational discipline) – «Military training» [16].

Leading NATO member countries are paying a lot of attention to the problem of training reserve officers (reserves) and, above all, unification of the system of this training. The most common form of non-military training of reserve officers is the training of military training courses at civilian schools fully funded by the state. This is the most worked out and cheapest system of reserve preparation, as evidenced by the practice of the leading countries of the world. The use of a high school to train officers in the above-mentioned countries is considered rather promising in the light of the reforms of their national Armed Forces.

The new paradigm of higher military education leads to a different vision of the position of the future officer of the reserve as a source of target, content and procedural characteristics of training. According to L.O. Petrova, the indicated tendencies in the development of higher military education determine the urgent need for the development of a methodology and technology for the implementation of higher military education as a person-oriented educational process, organization of teaching assistance to the harmonious personal development of the individual during training. The new socio-cultural paradigm prompts the search for appropriate factors, both in the present and in the strategic perspective, in the implementation of the tendency of the priority of the personally human principles of life, the free and creative development of the personalities of future military specialists, and the formation of the intellectual and moral potential of society in them. Therefore, the person-creating function, creation of conditions for self-improvement of the personality of both the cadet and the teacher should be the determining factor in the whole system of higher military education in Ukraine [15].

### **Conclusions.**

After analyzing the system of stockpile training in Ukraine and in the leading countries of the world, we came to the conclusion that training in most states is organized at the expense of the state budget, and in some countries the state pays a scholarship to students. In Ukraine, most of the higher military educational institutions and military training units of higher educational establishments (more than 60%) carry out the training of reserve officers at the expense of individuals.

Given the difficult economic situation in the country, as well as the fact that Ukraine spends a lot of money on military operations in the area of the United Nation, it is usually the most attractive system for us to be financed by individuals or firms.

The orientation of higher military education to market demands, control of society determines the need for graduates of higher education institutions in accordance with today's military-political, military-economic and military-technical inquiries. The main result of the professional training of future reserve officers is not only the availability of graduates of basic knowledge in various fields of science, a high level of professional skills, but also a certain readiness to be a competitor and to carry out defense and defense activities. We believe that in the process of studying at a higher educational institution, future reserve officers must master the values of military science at a level that would provide an optimal level of readiness for the fulfillment of tasks related to life-threatening.

Professional training of future reserve officers is aimed at the military. We believe that in order to be professionally fit for this activity, the future reserve officer needs to be friendly, fair, responsible, tolerant, emotionally stable and at the same time empathic, able to come at any time for protection and assistance. It is these personally-valuable human characteristics in the process of professional training of future reserve officers and during quasi-professional and professional activities, turning into an extremely valuable component of his competence - in professionally important qualities.

We explain the peculiarity of such transformations by the fact that this profession belongs to the socio-economic type, that is, the type of occupations where the subject and object is a person. Therefore, in our opinion, the solution of the conceptual tasks in the field of personnel security of the security and defense sector requires a rethinking of the pedagogical conditions in the process of training future reserve officers, in particular: in the development of military leadership and mentoring, focused on a competent approach that will provide a high level of activity and service-fighting components of professional training, based on the establishment of an educational-educational environment in an educational institution that is considered as a complex system formed I, an organization providing training when training future reserve officer is directly modeled on real or learning activity and is based on a subject-subjective interrelations between all participants of the educational process.

Based on the theoretical analysis of scientific literature and the results of our own research, we believe that such an approach will provide the qualitative training of future reserve officers, gaining theoretical and practical knowledge, skills and competencies, namely:

1. Demonstrate determination and persistence in the formulation of combat missions and the ability to assume responsibility for their implementation.
2. To take objectively substantiated decisions.
3. Ability to continuous and active training and improvement.
4. Ability to work in a team, including in the international context.
5. To demonstrate leadership, free, competent communication in dialogue with a wide range of military specialists, including the highest qualification, and the public.
6. Ability to build relationships with experts from other fields of knowledge, etc.

In the context of the political and economic crisis in Ukraine, the participation of many citizens in hostilities, volunteer activities, human-centered activity of future military specialists, is aimed at the development of intellectual potential, the system of personal, important professional-oriented qualities, a certain military experience, which in turn will enable future reserve officers to adapt and integrate in a professional military environment as quickly as possible. We believe that in order to provide this integrated result a qualitative pedagogical condition will be the introduction into the system of professional training of future reserve officers in higher education institutions educational programs of military leadership and mentoring institutions focused on the development of individual competences that will be expressed in readiness to use the acquired knowledge, skills and abilities, personal moral qualities in specific situations, aimed at solving theoretical and practical problems. Proposed pedagogical conditions of vocational training aimed at the formation and development of key competences for future reserve officers can be implemented qualitatively both in the context of the didactic unity of the academic theory of a higher educational institution and the process of real practical activity. The intensity of communication may vary depending on the type of professional activity. This didactic principle is also a prerequisite for the development of the ability to continuously adapt in the conditions of continuous scientific, technical, technological, economic, defense and security development.

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**INFLATION AND DEVALUATION EXPECTATIONS AS PUBLIC TRUST  
INDICATOR TO THE CENTRAL BANK: CASE OF UKRAINE**

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**Abstract.** *This paper discusses the importance of emotional drivers of decision-making by economic agents for central bank's policy implementation. Consumer and business expectations can be an important leading indicator by providing information about current and future consumption growth. This paper encompasses conceptual framework for understanding inflation and devaluation expectations of business and consumers as public trust indicators in the central bank in Ukraine. It has been highlighted that decline in trust in the central bank means that market participants have doubts about the consistency of monetary policy, its objectives and the professionalism of management. Since one of the reasons for pessimistic economic mood of Ukrainian business and consumers is the lack of public trust in Ukrainian authorities, authors focus on evaluation of the relationship between political trust and trust in the National Bank of Ukraine. Moreover, it was empirically proven close relationship between devaluation expectations of business and trust in the government and the Parliament of Ukraine. Conducting a survey on the business expectations including inflation and devaluation ones is very important as central bank can build monetary policy based not only on real indicators but on expectations also.*

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**JEL Classification:** G20, G21, E50.

**Introduction.**

The issue of restoring and supporting economic growth remains one of the urgent ones for both advanced and emerging countries. A decade on from the global financial crisis points to low effectiveness of the already taken measures and actions and mismatch of old approaches, methods and instruments of policy-making to the new realities of economic development in the 21st century.

This, in turn, leads to the search and consideration of new determinants affecting the economic development. One of these areas for inclusion in the neoclassical and New-Keynesian economic models (for example, dynamic stochastic general equilibrium) is the behavioral economy studying the influence of cognitive and emotional drivers on decision-making by economic agents and their consequences for the market and policy. The emotional determinant has become widespread with the term “sentiments” defined as “attitude, opinion or judgment based on feelings” and is used to describe the views of the economic agent on future economic development. In turn it is reflected in the current economic decisions and influences future economic dynamics through the waves of optimism and pessimism.

It should be noted that idea of agents’ expectations impact on economy dynamics is not new in economic theory dating back to Beveridge (1909), Clark (1917), Pigou (1927) and Keynes (1936). Nowadays economic expectations (including consumer sentiments and business expectations) can be considered to reflect public trust in the economy. The global financial crisis has been associated with trust crisis featuring credit freeze at many financial markets, the loss of financial institutions’ reputation, lack of transparency in financial reporting, collapse of public confidence and trust [1-4]. Public trust becomes crucial for economic dynamics and financial market activity when legal enforceable contracts are absent and confidence in market structures is undermined. This paper aims to show the essence of economic expectations as an indicator of public trust as well as the rationale for the inflation and devaluation expectations’ usage as an indicator of public trust in the central bank. Moreover, approach to evaluate the relationship of political trust and trust in the National Bank of Ukraine is presented by this paper.

### **1. Economic expectations as an indicator of public mood and trust.**

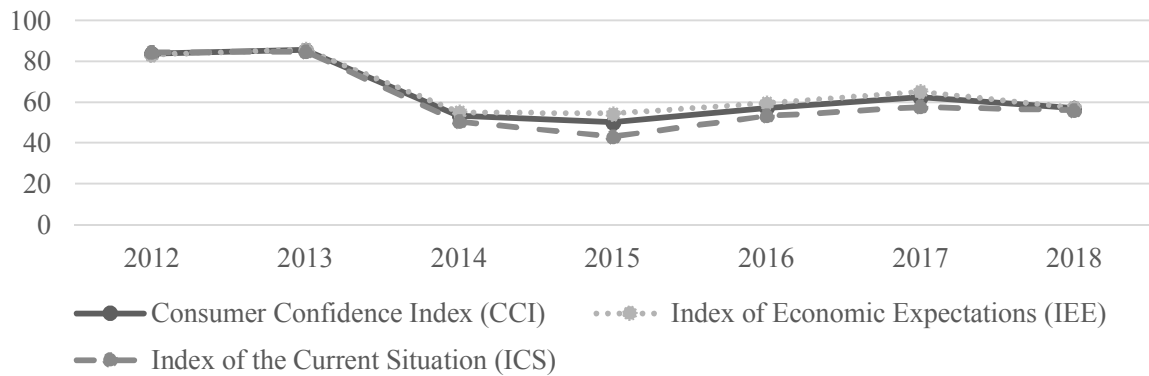
The Consumer Sentiment Index (nowadays widespread as the Michigan Consumer Sentiment Index, MCSI), introduced in 1946 by a professor of the University of Michigan, aimed at research public mood and based on monthly surveys of several hundred respondents in USA. The Central Bank of Philadelphia has been conducting surveys not only among households and firms, but also among expert forecasters on a quarterly basis since 1968. The Central Bank estimates inflation expectations in Philadelphia based on questions about price changes, personal consumer spending and GDP dynamic. European practice of consumer surveys begins in 1985, conducted by the European Commission in general and every member of the European Union in particular. For example, the Netherlands and the European Commission agreed on the consumer confidence index’ s usage to measure Dutch consumers’ views on their own financial circumstances as well as on the development of the Dutch economy in general.

At the same time, the concept of “confidence” as a kind of emotional determinant is used from the standpoint of a rational approach and based on objective information, while the concept of “trust” is predominantly based on the subjective information due to the uncertainty of the economic and social environment and, consequently, irrational behavior [5,6].

Confidence, like trust, is a qualitative category of emotional origin. The high level of confidence of economic agents expresses optimism about the future prospects of the economic development, otherwise – pessimism. Consumer confidence is a key determinant of economic behavior – consumer spending, savings and borrowing. Business confidence forms the basis of business expectations evaluating the development of the enterprise and the factors that have a direct impact on it. In general, they relate to changes in the financial and economic condition of the enterprise and their future economic activity. Expectations' in economics refers to the forecasts or views that agents' decision encompass future prices, sales, incomes, taxes and other key variables.

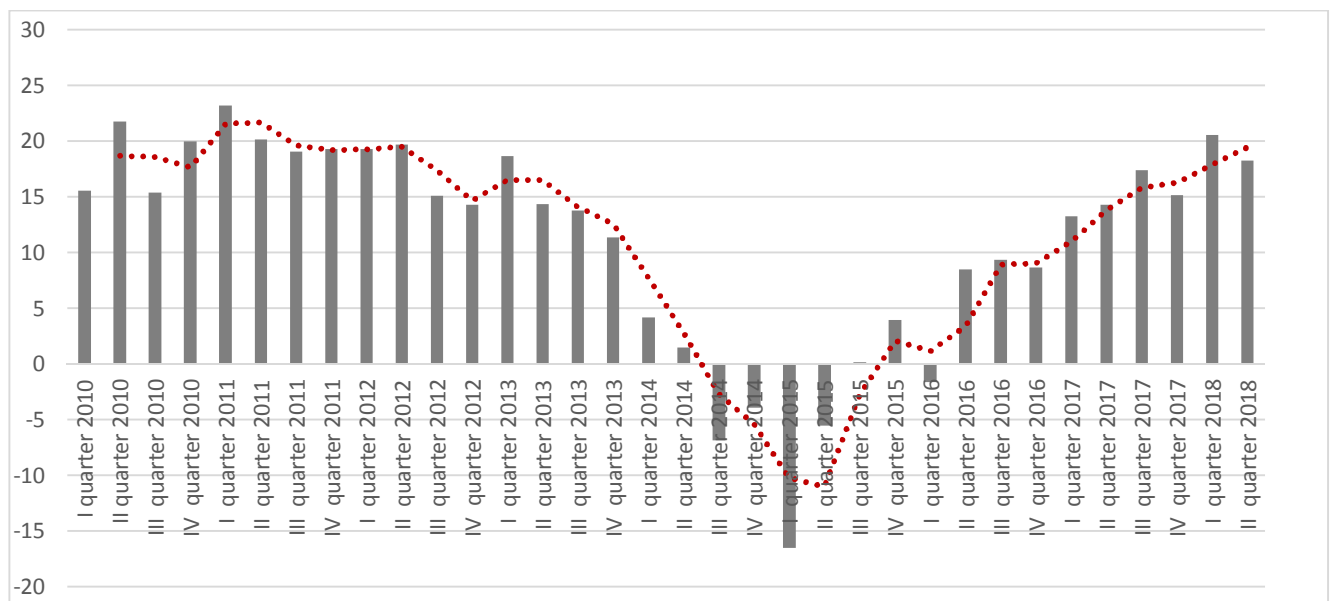
GfK Ukraine as marketing company, National Bank of Ukraine as central bank, Institute of economic research and political consultation have been conducting research on consumer and business sentiments in Ukraine. National bank of Ukraine is responsible for the research of business sentiments on quarterly basis. It is the source of relevant market information that enables central bank to make smarter decisions in monetary policy. Monetary policy requires operatively and various information, which is not always compiled by the statistics department. In this peculiar way, the Central Bank communicates with the real sector of economy [7]. GfK Ukraine is responsible for the research of consumer sentiments through the Consumer Sentiment Index. Experts of GfK Ukraine conduct a survey of consumer confidence identifying the following indexes: Index of Inflation Expectations; Index of Consumer Confidence; Index of Economic Expectations; Index of Expectations of Changes in Unemployment; Index of the Current Situation. Consumer Sentiment Index is calculated as the proportion of positive responses is subtracted from the proportion of negative and in order to avoid the appearance of negative values adding 100 to this difference. The Consumer Sentiment Index calculates the average arithmetic method of the above five indexes [8].

Figure 1 shows the dynamics of consumer confidence of households in Ukraine, determined through a random survey of domestic households. The poll involves 1,000 individuals aged 16+. Due to the political developments in April 2014 Autonomous Republic of Crimea was excluded from the sample of consumer confidence research in Ukraine. In Donetsk and Luhansk regions, surveys were conducted only on territories controlled by Ukraine. As it can be seen all indices of expectations about country's economic development over last seven years experienced the most significant changes. Despite peak of 86% in 2013 the economic expectations of Ukraine's households are 57.5% in 2018. This reflects the critical attitude of the population to the current economic situation in the country and households' confidence in the economy of Ukraine is falling every year. A number of factors, such as a sharp increase in gas price and other housing and communal services, wage arrears, inflation growth and national currency's devaluation had a negative impact on consumer confidence last year pointing pessimistic mood of consumers in Ukraine.



**Fig. 1. Dynamics of the Consumer Confidence Index in Ukraine [8]**

Business expectations index, based on enterprises survey results of the prospects of their development in the next 12 months, is used by investors on financial markets, entrepreneurs planning their activities and authorities by making decisions through economic policy implementation. The index of business expectations for the third quarter of 2018 was about 117.2%, the lowest index was registered in 2014 (96.1%), while the peak of negative economic sentiments of business was observed from the third quarter of 2014 to the third quarter of 2015 (Figure 2).

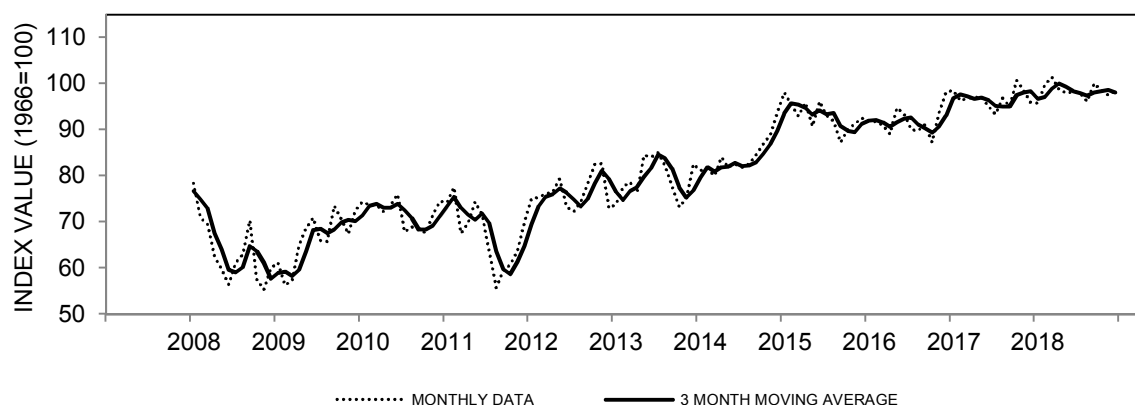


**Fig. 2. Dynamics of the business expectations index in Ukraine [7]**

Firstly, for seven years there was a sharp decrease for all indicators of business activity of enterprises in Ukraine in March 2014. Enterprises were not able to increase their production, most of all it was affected by the unstable political situation, significant fluctuations in the national currency exchange rate and too high prices for energy, raw materials and other materials.

Figure 3 shows the data from the University of Michigan. Consumer confidence in December of 2018 remains at the same record levels as in previous months. The Consumer Sentiment Index is 98.4% on average in 2018, which is the best indicator for the latest research periods for the United States of America. According to data from the German marketing company GfK the consumer climate index in Europe reached highest level since 2007.

The Consumer Sentiment Index is positive, especially among consumers in Spain and Italy, and less level of trust is expressed in Germany, France and Belgium.



**Fig. 3. Dynamics of the Consumer Sentiment Index in USA [9]**

During the last quarter of 2014, the growth of employment and the decline in oil prices led to an increase in household income to a level that was not observed before the crisis. At the same time, low energy prices contributed to the growth of consumer confidence also. Thus, the economic mood of Ukrainians is low, and one of the reasons for this is the lack of public trust in Ukrainian authorities. Consumer and business expectations can be an important leading indicator by providing information about current and future consumption growth. Monitoring consumer sentiments and business expectations can be useful for policy makers.

## **2. Inflation and devaluation expectations an indicator of public trust in the central bank.**

The functioning of economic institutions in a democratic society, including central banks, requires public trust. Trust in economic institutions is particularly important in times of crisis when uncertainty about further development is growing. At the European Union level citizens' trust in national central banks has reached a historic low level since September 2008 – about 38%. Among European countries, the lowest level of trust is observed among Greek citizens, where only 13% respondents trust financial institutions, namely the ECB; trust is low among German residents also – only 38%. But trust in the ECB in the post-crisis period exceeds the actual level of confidence in national governments and parliaments that were already low before the financial crisis.

For the central bank policy, the level of public trust serves as an institutional limitation in case of its low level or as a stimulator for the effectiveness of monetary policy – in the case of a high level of public trust.

The mechanism of public trust influence on the independence of central banks is underlined in the study of Berggren N. [10], where it is empirically proven that the independence of the central bank is a requirement of society: in countries with high levels of trust between citizens, it is easily achievable in the conditions of power delegation to an independent body, and in countries with low level of trust - it is an instrument (institution) that guarantees achievement of goals in the conditions of mistrust to politicians. Therefore a positive correlation between the level of public trust and the independence of the central bank is proven.

Moreover, public trust in the central bank as an economic and political institution of the country is of great relevance also. This is explained by the fact that, firstly, reputation and credibility in the conduct of monetary policy is quite significant (Finn Kydland and Edward Prescott, 1977) [11] and R. Barro and D. Gordon (Robert Barro and David Gordon, 1983) [12]. A low level of trust is a significant obstacle for monetary policy developers.

Besides, loss of trust can provoke reducing the functionality of the central bank and political support leading to strengthening state control over monetary policy. Trust in the central bank defines the limits of the legitimacy and political independence of this financial institution. A certain level of public trust in central banks can be decisive for maintaining their legitimacy. In this case, a high level of public trust in the central bank can be characterized as a basis for raising the level and guaranteeing the independence of the central bank. Consequently a reduction in trust could endanger the independence of the central bank. Loss of trust in the central bank will make it vulnerable to political influence as well as reduce the effectiveness of monetary regulation. Based on these conclusions, it is important for monetary policy makers to understand and identify the determinants that caused loss of public trust. The importance of assessing the trust in central bank is driven by the fact that it should ensure the stability of the national currency, minimize inflation in order to create favorable conditions for economic growth and promote the development of the banking system. Trust in the central bank implies confidence of respondents in achieving their goals of monetary policy [13].

Among the key determinants of public trust in central bank are macroeconomic and social ones. Macroeconomic factors represented by “traditional” macroeconomic variables including inflation, unemployment, and per capita GDP. The appropriateness of the chosen factors is determined by the functional power of central banks: in the case of inflation – in most countries, the main goal of the central banks is to ensure price stability, therefore citizens are convinced that the central bank is responsible for reaching the planned level of inflation, and therefore the deviation of inflation from the planned target in theory has a negative impact on the credibility of the central bank.

In the case of per capita GDP growth and unemployment, the secondary goal of the functioning of central banks is to promote a common economic policy, such as “balanced economic growth” and “full employment”. Thus, it can be assumed that citizens believe that the responsibility of the central bank also extends to the rate of change in GDP per capita and unemployment, and consequently the growth of unemployment and the decrease of GDP per capita growth can have a negative impact on the trust in the central bank. Most scholars include classical macroeconomic variables in their models [14, 15]. In the models proposed by researchers, confidence in the ECB is assessed as a function of inflation, GDP per capita growth, unemployment and other important control variables.

According to a reserach by F. Roth, D. Gros, F. Novak-Lehmann D. [16], as predicted theoretically, it was proven that GDP growth per capita positively affects trust in the ECB, and inflation and unemployment are negatively affected. Growth of GDP per capita by 1% increases trust in the ECB by 1.4%, and the rise in inflation and unemployment reduces it by 0.65% and 1.99% respectively. However, the impact of economic growth depends entirely on the pre-crisis period, and the impact of inflation and unemployment is exclusively due to the crisis period. So, researchers have proposed ways to increase trust in the ECB changing the main goal of ECB activities – guaranteeing price stability in order to ensure the realization of its secondary goal aims to promote economic growth and employment. In future ECB must ensure an efficient balance between financial and price stability to promote economic growth and employment.

Similar results are presented by S. Valti [17] concluding that higher unemployment and a decline in inflation rates from the planned, consistent with price stability, also reduce trust in the central bank. Raising the unemployment rate by one percentage point reduces the net trust level to approximately equivalent amount, and the deviation of one percentage point of inflation, which is consistent with price stability, reduces the net confidence level by 1.5 percentage points.

Some results [14] clearly show that the level of current inflation is important for public trust in the ECB. Data from the calculations carried out by researchers show that, unlike expectations, the change in unemployment is not largely due to trust in the ECB. This is due to the fact that people's assessment of changes in the level of unemployment may be different, which is due to the initial level of unemployment in the economy. For example, an increase of 2 percentage points can be regarded as disastrous in an economy in which the unemployment rate was 2% before. That is, for this country, in fact, there will be a doubling of the absolute number of unemployed. On the contrary, an economy in which about 20% of the unemployed can not worry about an increase of 2 percentage points, resulting in a relative change of only 10%. Therefore, as the researchers point out, only the level of unemployment has a significant impact on the credibility of the central bank, but not its change.

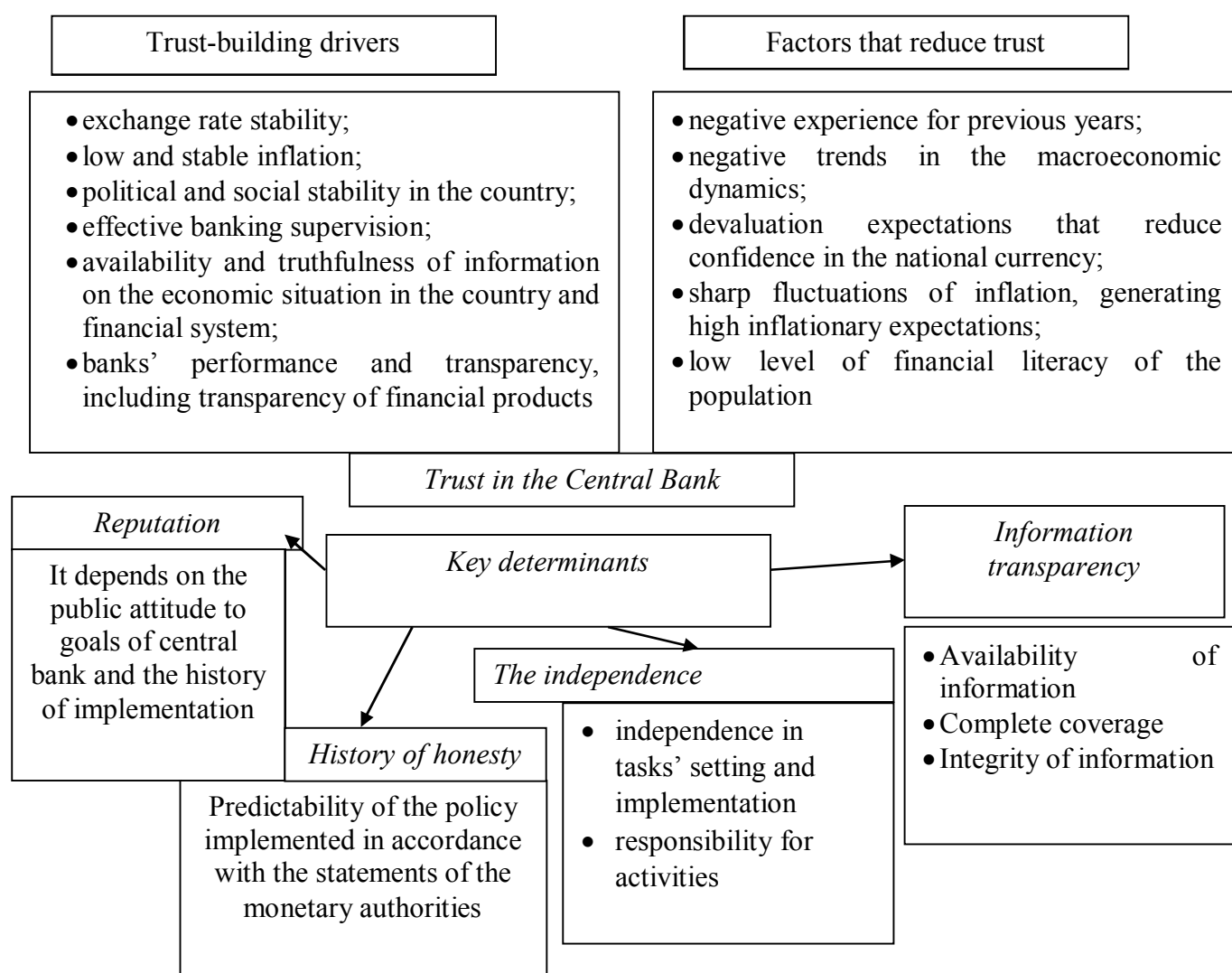


According to Dirk Bursian and Sven FÜRTH research [18], the results of the study show that real GDP growth has a positive effect on the credibility of the central bank, while public debt, government bond yields, and unemployment are negatively linked to trust. In particular, an increase in real GDP growth by 1.0% means an increase in the trust in the ECB by 1.0%. The growth of public debt reduces the expected probability of confidence. For example, an increase in the Italian relative public debt from 106 per cent in 2008 to 119 per cent in 2010 would mean a decline in trust of about 1.3 per cent. With regard to the yield of government bonds, the propensity to trust in the central bank is reduced by 3.0%, taking into account the increase in yield by 1%. An increase in the unemployment rate by 1 percent leads to a 1.2 percent decline in trust in the ECB. However, it is surprising that inflationary deviations from the target level do not play a role in building trust among citizens in the central bank. Overall, the results of the study show that trust in the ECB can be enhanced by improving the overall macroeconomic conditions in European countries.

To sum up, the higher level of unemployment and the deviation of the inflation rate from the planned level, which corresponds to price stability, reduces net trust. And the growth of GDP per capita only increases public trust in the central bank. It is worth not forgetting that almost all countries of the world felt the impact of the financial crisis. As most scholars state, the level of trust has declined significantly during periods of financial crisis, so it can be assumed that the negative experience of the crisis has at least two negative consequences. Firstly, it reduces trust in the financial sector threatening financial stability. Secondly, it provokes decreasing in overall confidence which can reduce economic growth. Therefore, an effective balance between financial and price stability should be guaranteed to increase the level of trust in central banks, which, however, depends on the level of inflation, GDP and unemployment.

In Ukraine the issue of public trust in political and economic institutions is quite important. According to the results of a national research [19], starting from the end of 2015, the balance of trust/distrust in Ukraine to all institutions either unchanged, or on the contrary worsened. According to the survey, the citizens of Ukraine show the greatest distrust to the highest authorities including the National Bank of Ukraine. The level of trust in the National Bank of Ukraine is extremely low according to opinion polls. Over the past three years, the level of trust has decreased from 16.1% in 2016 to 14.1% in 2018. The decline in trust in the National Bank of Ukraine is determined by low public trust in commercial banks. Besides, main trust determinant of the National Bank of Ukraine remains its actions. During last five years National bank of Ukraine has been conducted a policy of “cleaning up the banking system”, the results of which were a reduction in the number of banks by more than half. Another factor that will also affect to the level of trust of the NBU is the depreciation of the national currency more than three times. The low level of trust has continued since the 2008 financial crisis. Figure 4 shows determinants affecting the level of trust in the National Bank.

Inflation and devaluation expectations are important in assessing public trust in the National Bank of Ukraine. The decline in trust in the central bank means that market participants have doubts about the consistency of monetary policy, its objectives and the professionalism of management. When the strategy of the central bank is transparent and clear, the regulator deserves trust and the market expects that its actions will match with the stated goals [20]. The relevance of the expectations' research lies in the fact that the inflation and devaluation expectations and inflation rates and the exchange rate in particular are valuable for economic development and the social standards of living. Expectations are a determinant of the actual level of inflation and the exchange rate of the national currency playing a crucial role in the central bank's analysis of the current situation in the economy. This gives the opportunity to predict the future value of inflation and the dynamics of the national currency [22, p. 34]. Therefore, it is important to monitor the mood of economic agents in the context of monetary policy implementation.



**Fig. 4. Determinants affecting the level of trust in the National Bank of Ukraine [13, 21]**

Inflation expectations are an important component for determining the short-term dynamics of inflation. If they are not managed, they can become self-sufficient and this will lead to significant losses for the economy. At that time, long-term inflation expectations become an indicator of economic agents' trust in the National Bank. If the central bank has public trust, then it will be enough to carry out a small containment of monetary policy. While central banks, which are not trusted, on the contrary, need their policies to be directed in such a way as to influence these inflationary expectations [23].

Expectations in the economy are heterogeneous and show the extent to which they differ from the price level of the inflation target, and therefore affect the credibility of monetary policy. When these deviations are small, symmetrical and are near the target, it is much easier to change the situation: just increase the time horizon of the analysis. However, in the case of large economic shocks, the deviation can be so large that it can lead to a loss of trust in monetary policy.

In recent years, in addition to inflation expectations, the level of business expectations is also influenced by devaluation. In addition, the change in the exchange rate is also considered one of the factors affecting the level of inflation expectations. The central bank calculates the proportion of respondents, who expects depreciation of the national currency – hryvnia and determines the average projected value of the hryvnia to the dollar for the next period based on the results of surveys. Devaluation expectations are important for the analysis, especially in the last 3-4 years, when the hryvnia exchange rate changed every day and gained a record high value.

The devaluation expectations are mainly driven by seasonality, psychological factor (expectations of the population and business about the future e through the exchange rate values determined by the budget), and to some extent, the tactical mistakes of the government and the central bank. Figure 5 shows the dynamics of the inflation expectations index and actual inflation over the past seven years Ukraine.

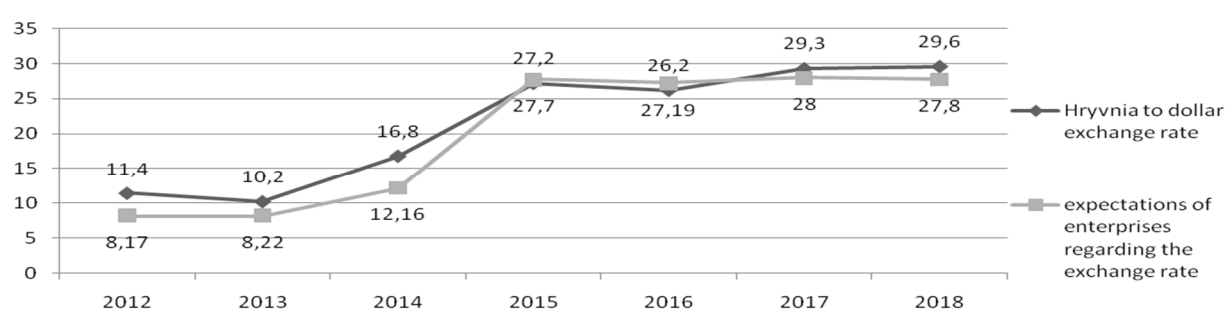


**Fig. 5. Dynamic of inflation and inflation expectations of Ukrainian business [7]**

The graph shows that business expectations for changes in inflation in the future reflecting the actual changes in inflation over the period under review. Since 2013, inflation expectations have sharply risen, reaching their peak in 2015. Negative inflation

expectations and actual inflation began to subside during the transition from active military aggression to the frozen phase of the military conflict. Since 2016, the situation has almost stabilized, but the general trend of perception of future changes in the country remains moderately pessimistic. Next, we compare the index of devaluation expectations and the dynamics of the actual hryvnia exchange rate to the dollar in Ukraine over the past seven years (Fig. 6).

Correlation analysis between real inflation and business expectations for inflation as well as between the expected hryvnia exchange rate and the real one finds that correlation between these indicators is high (81% and 98%, respectively) indicating that there is a statistical relationship between these two values.



**Fig. 6. Dynamic of exchange rate and devaluation expectations of Ukrainian business [7]**

### **3. Political trust and trust in the National Bank of Ukraine linkages: approach for evaluation.**

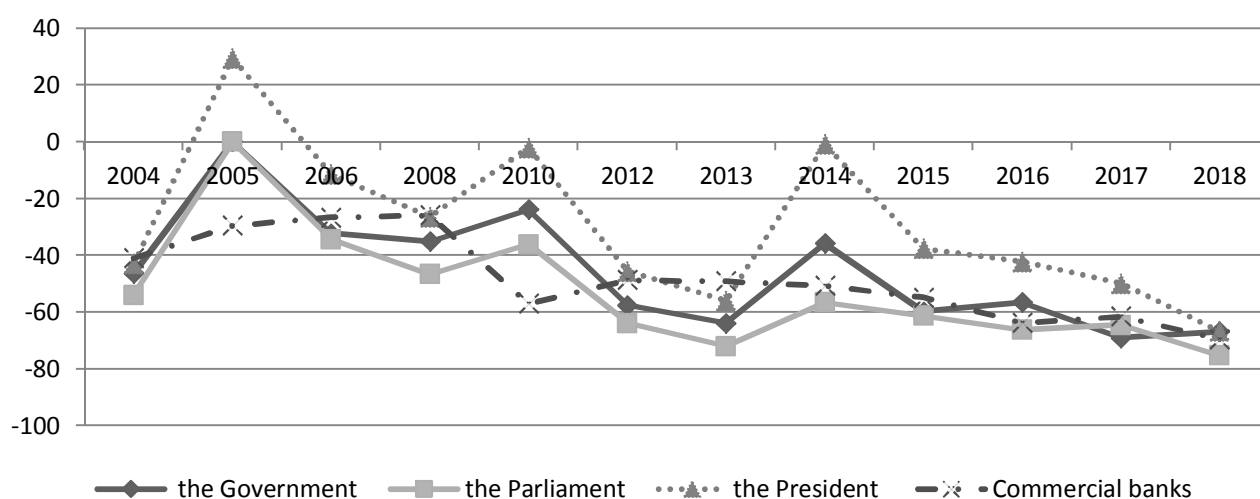
As already mentioned, inflation expectations of economic agents play an important role in setting prices and forming actual inflation. Therefore, it is of great importance to analyze the determinants of inflation expectations. The key determinants are the exchange rate of the hryvnia and business expectations about production costs increasing. The socio-demographic factors are vital also, for example, small businesses with low incomes usually expect inflation to rise. An important factor that has a negative impact is the financial literacy of respondents. Although the latter factor can and should be influenced, because it affects not only the effectiveness of the survey results, but also the citizens' awareness in macroeconomic issues.

From a psychological point of view, many respondents are more likely to remember the increase in prices for goods and services than the decline in prices or slowdown in their growth for other goods and services. This makes inflation expectations are often too high. Public confidence in the conduct of monetary policy is limited, as the memory of citizens periodically happened macroeconomic shocks: crises, devaluations, defaults, bankruptcies of credit institutions, different changing rate of interest etc. [24, p. 44-46].

In the analysis of trust and monetary policy, inflation expectations can ignore other important features of the inflation process, such as relative prices, especially for food and energy, which are outside the direct control of the central bank [25, p. 19]. Since inflation and the exchange rate are macroeconomic indicators, we consider it necessary to analyze their relationship with such indicators like GDP, consumer prices and producer prices, incomes and the exchange rate of currency. As a result of the correlation analysis, the relationship between these indicators and devaluation expectations is very high, the closest relationship is observed between expectations regarding the exchange rate and GDP. In the situation with inflation expectations, they are closely related only to the level of inflation.

At the same time, recent researches indicate a weak link between the level of institutional trust and socio-economic dynamics in Ukraine. This indicates the predominant influence of domestic political rather than socio-economic determinants of trust. This fact is confirmed by the results of international studies also indicating that the level of trust in institutions and the state in emerging countries is much lower than in advanced countries. Therefore, empirical confirmation of the relationship between political trust and trust in the National Bank of Ukraine becomes of great importance.

For Ukraine, the issue of trust in the government, the parliament of Ukraine, the President, commercial banks, as the main representatives of the banking system, is very important, especially when it comes to the basis of business expectations. Figure 7 demonstrates survey data on institutional trust in Ukraine by calculating general balance of trust for each institution.



**Fig. 7. Balance of trust in the government, the Parliament, the President and commercial banks in Ukraine, % [19,23]**

The balance of trust was calculated as follows: the sum of the answers in the categories “Predominantly trust” and “Quite trust” was deducted from the sum of the answers in the categories “I don’t trust at all” and “Mostly I don’t trust”.

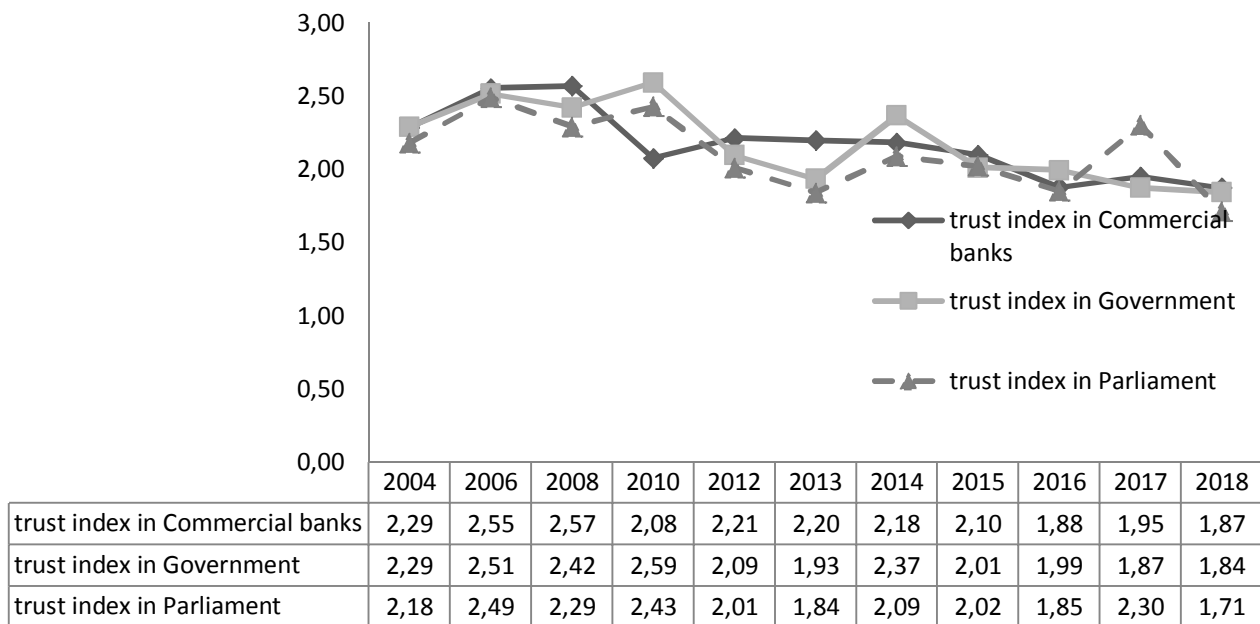
Thus, the balance of trust can be either positive or negative, depending on what is greater: the level of trust or distrust. Analyzing the results shown in figure 7, it can be concluded that trust indicator in the President is changing most dynamically. At the same time, there is an improvement in the dynamics of trust in all institutions after the elections of both the President and the Parliament and the government. So after elections the government receives a credit of public trust, which in the period between elections is rapidly decreasing. The highest level of trust in these institutions is observed from 2006 to 2010 and after the change of power in 2014. Therefore, it can be argued that the level of trust in the government is largely the result of trust in presidents. As for the trust in commercial banks, their balance is much smaller than in other structures considered with decreasing trend. Trust issues are closely linked to the central bank's issues – if the problem of distrust appeared in the bank, it is, first of all, the problem of higher authorities. The factors contributing to the deterioration of public trust in banks can be divided into macro- (based on the experience of the past years, the development of the banking system as a whole, the deterioration of the main monetary indicators) and micro-level factors (based on the activities of each individual bank will depend on the quality of service and transparency of the bank's policy).

The national Academy of Sciences of Ukraine offers various indicators for the analysis of the survey on trust in different institutions. One of the common indicators is the trust index, which is calculated by the following way [19]:

$$J_g = \frac{5a_1 + 4a_2 + 3a_3 + 2a_4 + a_5}{100}, \quad (1)$$

where  $J_g$  – Trust index;  $a_1$  - share of those who fully trust the institution,  $a_2$  - share of those who partially trust the institution,  $a_3$  - share of those who are undecided,  $a_4$  - share of those who do not trust the institution,  $a_5$  - share of those who partially do not trust the institution.

Trust index is calculated on a 5-point scale and presented by Figure 8. There is decreasing trend of the index from 2.29 points to 1.87 points for commercial banks and 1.85 points for the Government every year, and the index for the Parliament has changed most dramatically: from 2.18 points in 2004 to 1.71 points in 2018. After checking the relationship between real inflation and exchange rates with business expectations, we analyze the relationship of trust in institutions and expectations. Table 1 presents the results of the correlation analysis separately for each institution and by category of responses. We can conclude that the closest relationship with significant coefficients is between devaluation expectations and trust in the government and the parliament of Ukraine, although for commercial banks the figure is also quite high. Moreover, the highest coefficient concerns the category of “do not trust”, and back a strong connection to the category of the part of the respondents who cannot be determined. Since the balance of trust in institutions during the analyzed period was usually negative, it is obvious that the category of people who do not trust at all has the closest connection in the correlation analysis.



**Fig. 8. Trust index for commercial banks, the government and the Parliament of Ukraine**

Thus, the indicator of correlation ratio is probable, and the relationship is proved. To sum up, the need to conduct a survey on the business expectations is very important as National Bank of Ukraine can analyze and forecast indicators for the next year, and build monetary policy based not only on real indicators but on expectations also. The analysis showed that expectations are closely related to the real indicators of inflation and the exchange rate of currency.

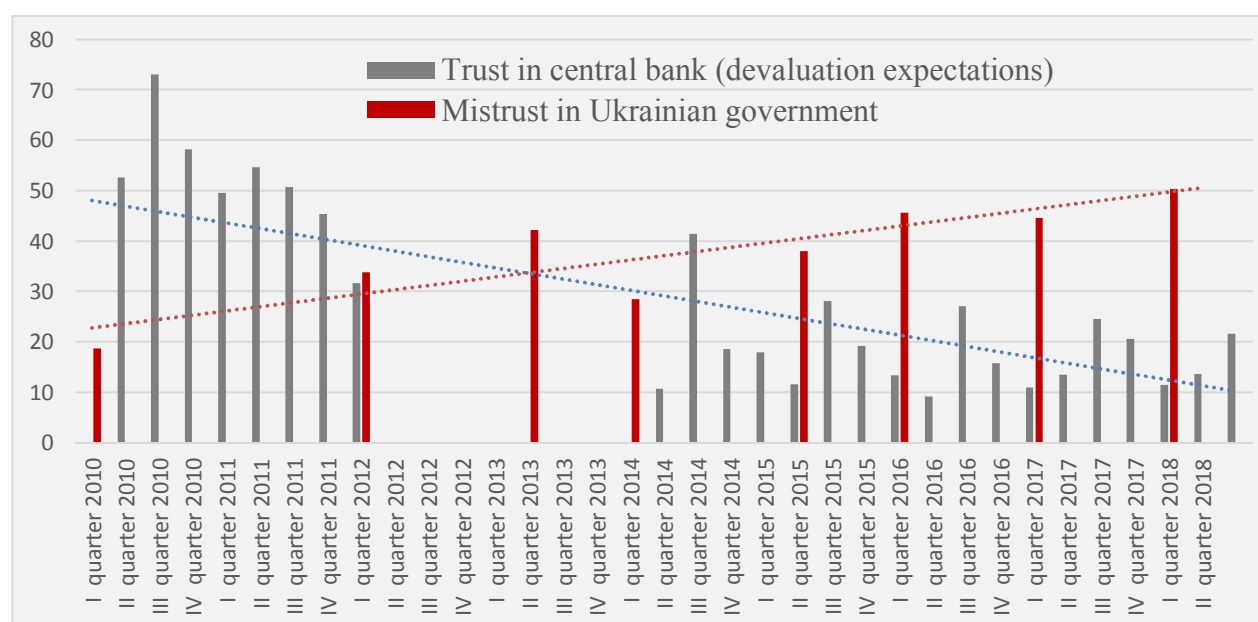
**Table 1. The results of correlation analysis between Ukrainian business and trust in institutions**

	Inflation expectation	t-criteria (tabl =2,30)	Devaluation expectations	t-criteria (tabl =2,30)	Business expectations	t-criteria (tabl =2,30)
<i>Commercial banks</i>						
I don't trust	-0,16	-0,45	0,63	2,29	0,31	0,92
Mostly don't trust	-0,13	-0,37	0,39	1,20	0,27	0,79
Hard to say trust or not	0,21	0,60	-0,65	-2,42	-0,40	-1,23
Predominantly trust	0,06	0,17	-0,49	-1,59	-0,01	-0,03
Quite trust	-0,32	-0,95	-0,09	-0,26	0,39	1,20
<i>Government</i>						
I don't trust	-0,29	-0,86	0,88	5,24	0,07	0,20
Mostly don't trust	-0,44	-1,39	0,40	1,23	0,33	0,99
Hard to say trust or not	0,30	0,89	-0,82	-4,05	-0,19	-0,55
Predominantly trust	0,36	1,09	-0,42	-1,31	0,01	0,03
Quite trust	0,19	0,55	-0,61	-2,18	0,17	0,49
<i>Parliament of Ukraine</i>						
I don't trust	-0,31	-0,92	0,88	5,24	0,05	0,14
Mostly don't trust	-0,16	-0,46	0,37	1,13	0,10	0,28
Hard to say trust or not	0,30	0,89	-0,83	-4,21	-0,15	-0,43
Predominantly trust	0,00	0,00	-0,25	-0,73	0,35	1,06
Quite trust	-0,28	-0,82	-0,26	-0,76	0,39	1,20

The analytical part of this research confirmed a direct link between the increase in inflation and the exchange rate of the national currency and the trust level in the government, the Parliament and commercial banks of Ukraine (Fig.9). High fluctuations in the analyzed indicators provokes deterioration in public trust in the government and the Parliament, and somewhat less – in commercial banks.

### Conclusions.

Cognitive and emotional drivers of decision-making by economic agents are important for implementation of many government policies and programmes. They can be an important leading indicator by providing information about current and future consumption growth. Economic expectations (including both consumer sentiments and business expectations) can be considered to reflect public trust in the economy. Analyzed data point that economic mood of Ukrainians is mainly pessimistic, and one of the reasons for this is the lack of public trust in Ukrainian authorities. Monitoring consumer sentiments and business expectations can be useful for policy makers.



**Fig. 9. Political trust and trust in the National Bank of Ukraine linkages**

Trust in central bank is particularly important in times of financial fragility and necessity of price instability to create favorable conditions for economic growth and promote the development of the banking system. Loss of trust in the central bank will make it vulnerable to political influence as well as reduce the effectiveness of monetary regulation. Inflation and devaluation expectations are of great relevance during assessing public trust in the National Bank of Ukraine. The decline in trust in the central bank means that market participants have doubts about the consistency of monetary policy, its objectives and the professionalism of management.



Conducted correlation analysis between inflation and the exchange rate with GDP, consumer price index and other determinants revealed the impact of political factor (trust in political institutions) on both devaluation and inflation expectations. It was found a direct link between the increase in inflation and the exchange rate of the national currency and the trust level in the government, the Parliament and commercial banks of Ukraine. Moreover, it was empirically proven close relationship between devaluation expectations and trust in the government and the Parliament of Ukraine. So, the need to conduct a survey on the business expectations is very important as National Bank of Ukraine can analyze and forecast indicators for the next year, and build monetary policy based not only on real indicators but on expectations also.

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**BUSINESS REPUTATION IN BUSINESS PRACTICE: ECONOMIC  
CONTENT AND EVALUATION**

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***Abstract.** From a scientific and practical point of view, there is a need for a comprehensive research of the theoretical and methodological problems of reputational capital; estimating its impact on the growth strategy and the formation of competitive advantages of organizations in all fields of activity, in particular, the actualization of the problem for the hotel and restaurant industry. Therefore, it is particularly relevant to substantiate the actualization of further research of the business category “business reputation” and the provision of evidence of the need to manage this asset as a factor in increasing the material value of enterprises in general and the hotel and restaurant business in particular. The article reveals the economic content of the category “business reputation”, summarizing the correlation of the category “business reputation” with related - “image”, “brand”, “authority” of the organization and highlights the difference between them, analyzes methodical approaches to estimating business reputation, justifiably introducing RM. The results of the scientific research allow us to state that today for business success, a valuable strategic resource and a competitive tool is business reputation as a stakeholder estimation of expectations and real situation.*

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**JEL Classification: L14, L22, M10, M21**

**Introduction.**

Precarious market environment actualizes among scientists and business practitioners the problem of the content of competitiveness of enterprises, the research of factors of influence and the development of strategic alternatives to retain leadership positions in the industry and in the country. A wide range of material factors has already been thoroughly studied by scientists in both foreign and domestic science, and the results of applied scientific research have already been accepted by business and are used in real business practice, giving the effect of competitiveness.

The trends of the hotel and restaurant services market of the last decade is the growth of competencies and expectations of stakeholders (shareholders, investors, lenders, consumers), the intensification of competition, the escalation of information flows - have put the hotel and restaurant business in front of the need to solve problems of targeted and integrated reputation management, its creation, evaluation and monitoring. For the business elite of the service sector, business reputation became the subject of economic analysis, the result of consistent efforts of creating and managing it.

The research of the forenamed problems is still insufficient for making management decisions, which determines the relevance of the topic and the need to continue research in this area. For Ukraine, this issue is a new one, not yet sufficiently studied and researched.

Thus, both in scientific and in practical terms, there is a need both in scientific and in practical terms, for a comprehensive research of theoretical and methodological problems associated with factors such as the formation and accumulation of reputational capital; estimation of the impact of the company's business reputation on its growth strategy and the formation of competitive advantages; mainstreaming the most significant factors for creating a high business reputation as a strategic resource of the organization, which will make it possible to use effectively the opportunities of the global economy for the accelerated and sustainable growth of domestic companies.

In domestic science, business reputation is regarded from different points of view (legal, psychological, social, managerial). The most significant and authoritative in this area are works dedicated to the influence of this factor on the overall results of the functioning of enterprises. In modern scientific literature, the issues of managing the reputation of organizations were emphasized by D. Aaker [1], M. Woodcock and M. Stone [6], V. Reva [22], I. Oliynyk [19], F. Sayetl [25], V. Moiseev [17] and others. S. Gorin [7], S. Kovi [14], R. Merrin and others analyzed the features of the influence of the quality of services on the reputational capital. An analysis of the literature on this issue has shown that in modern scientific and applied research there are several directions for studying the issues of reputation formation that are observed in various disciplines.

The first direction is connected with the consideration of the basic concept of reputation management - reputation - in the context of increasing the efficiency of the internal and external environment of a business structure, primarily with a view to its economic development. This direction is the most studied one. Of particular importance here are the Western studies. The most significant and authoritative in this area are the works by G. Dowling [4], F. Kotler [12], J. Coleman [13], D. Shulgin [29] and others.

The second direction is represented by research in various disciplines, where reputation is regarded more in a certain context. This disciplinary approach to the typology of literature on reputational issues helps to reveal specific characteristics in accordance with a narrow specialization. Thus, in the sphere of economic theory, in which reputation is the basis of the reputational capital of an organization - a valuable intangible asset, the works by I. Schumpeter [30], I. Vazhenina [32], N. Kozlova [15], I. Kharlamov [8] should be mentioned.

The third direction is an array of both scientific, applied research, and practical research of reputation in the sphere of Public Relation. The basis of this direction is the correlation of the concept of “reputation” with an associative terminological series which includes “image”, “brand”, “authority” and at the same time highlighting of specific features of this concept in order to achieve its objective independence. In this direction, the works of K. Buksh [3], G. Pocheptsov [21], G. Tatarinova [31], V. Shepel [27], F. Sayetl [25] and others should be noted. Management theories are interesting and useful, they also allow to reveal the social essence of reputational capital and methods of its management. They are presented in the works by G. Dowling [4], F. Kotler [12], J. Coleman [13], A. Kashpur [11], A. Rudakova [23], O. Grishin [23] and others. In the sphere of psychology, great attention is paid to questions of reputation by A. Grubetskaya, in the field of sociology -by M. Dulyasova [5], L. Salnikova [24], T. Khannanova [5], etc. Taking into account various peculiarities, the economic perspective of analyzing an enterprise’s reputation is by far the most common.

Author's business reputation researches are evidence that various scientific schools and their concepts estimate its analysis as a tool for realizing their goals, and a comprehensive assessment system that places business reputation as the main subject of research is not still formed. As for today, the urgency and the need to form a reputation management system in modern enterprises of the hotel and restaurant industry have been ignored.

The purpose of the research is to substantiate the actualization of further research of business category "the business reputation" and to provide evidence of the need to manage this asset as a factor in increasing the material value of enterprises in general and the hotel and restaurant business in particular.

### **1. Business reputation as a stakeholder assessment of compliance of the expectations with the real situation.**

Today, there is a steady interest of scientists in the study and analysis of the phenomenon of reputational capital as a production factor affecting economic growth.

We live in an era of reputational economy, in which more important than the product or service itself is the answer to the question “Who are you?”, “Who knows you?”, “How do you achieve results?”, “What is the point of your business existence?”. And the value of a business is not only how much money it makes. It is also important how and what systems work, what kind of people, what is the attitude to compliance (compliance system - international system for countering threats and risk management), what is the corporate governance, what is the policy of cooperation towards stakeholders. These things create business value. According to the main consulting company in the sphere of reputation management - Reputation Institute, more than 75% of the market value of companies are intangible assets, the most valuable of which is reputation. Its increase by 1% leads to an increase in the value of the organization by 3%. It is important for companies to feel the value of the reputational capital of their business, to understand its essence and to be able to manage it.

One of the world's most significant investors in the securities market, billionaire Warren Buffet, noted reputation as an immense asset that is poorly protected from risks, but which brings income to an organization, increases its capitalization. It is formed over the years, and you can destroy it at the moment. He told his managers: "If you lose the money of the company, I will treat it with understanding. But you will not be sorry if you lose its reputation. " One of the richest people in the world with this statement puts a reputation above finance, because it is the reputation that brings money into the business. Saving on reputation is saving on your future. In a market economy it is an important intangible asset that builds the confidence of a potential consumer, partner, emp The concept of "reputation" has undergone major changes over the past hundred years in the sphere of economy. By the middle of the twentieth century, "business reputation" and "company reputation" were reduced to the honesty of a businessman, a company owner. Reputation became a real market indicator only in the 50s-70s of the XX century. And in the 1990s, reputation became an active financial factor and an important intangible business asset. The revitalization of research has been observed since 2002. In the bulk of definitions of business reputation, there is a desire of scientists to identify the largest number of essential features of this concept.

But it should be noted that the business reputation of the organization is a synthetic concept. In this category there are numerous concepts close to it. Some researchers identify the concept of "reputation" with other intangible assets, such as "brand", "image", "authority", "trust" and others. But the listed categories still differ in nature, and it would be appropriate to separate them, leaving the reputation as an independent intangible asset that requires specific approaches to the formation and management. The notions of "image", "brand", "reputation" are of foreign origin, which, to a certain extent, makes rather difficult their perception identical in the English, French and Ukrainian-speaking business space. Hence the confusion in the use of terms that are united by the fact that they all exist in the mind of the consumer, evoking certain associations and forming a certain idea among the consumers. These concepts cause a more emotional feeling that experiences the consumer when he interacts with the company, its product (service). The difference between these categories is that reputation is the concept that is the most sustainable in time, the most stable and comprehensive. The key in its definition is an assessment or opinion, whereas in the definition of image it is a vision. By brand we mean a set of ideas, value characteristics, emotions of a product or service. Thus, reputation is a unique valuable asset, a communication indicator that is responsible for the relationship of stakeholders to business, top management, and management decisions. Positive reputation is a particularly important component of success and affects the efficiency of the enterprise. Enterprises with a high level of reputational capital also have strategic advantages in the growth of competitiveness. This is an opportunity for business stability, freer access to capital markets, attracting the best specialists, investors, and so on.

Competitive pressure brings Ukrainian business players, successful restaurateurs and hoteliers closer to learning the best practices of successful Western institutions.

The concept of “reputation” is important for businesses of any kind, especially for hotel and restaurant establishments. After all, the hotel and restaurant business, like no other, is focused on serving the consumer and creating a positive experience in it. The hospitality industry is a fairly accurate and sensitive indicator of the economic situation in the country. Therefore, today the reputation management in the hotel and restaurant business is becoming a “hot” topic. At the same time, enterprises of the hotel and restaurant business have a number of specific features that must be taken into account.

This is conditioned, firstly, by the specifics of the product (service), which is formed, sold and consumed by the customer mainly at the place of its production, for the second, by social functions and the role that the hotel and restaurant enterprises perform in improving the quality of life of the population; as well as high labor costs in the sphere and the importance of labor relations in the process of their functioning.

Kafa Usama, the winner of "The Person of the Year 2015 "award in the Leader of the Restaurant Business category, noted that the restaurateur has two global values - a team and a reputation. The ambiguity of the unambiguous essence of the concept of “reputational capital” is still widely discussed in scientific circles. When we talk about reputation, we first understand trust. According to Stephen Covey, trust is a multi-level phenomenon from the level of the individual to the level of the country [14]. Reputational capital, according to K. Jackson, is intangible long-term strategic assets of an organization, the value of which manifests itself, firstly, in the value of the organization’s intangible assets, and, for the second hand, in the ability to create or to destroy the future market value of the company [10].

A special place in the theory of reputational capital is given to the definition proposed by G. Dowling: “reputational capital is the sum of intangible assets, external and internal characteristics of a subject that increase shareholder value and is a part of its market value” [4]. The monetary value of the reputation as an intangible asset of the organization is reputational capital. In economic theory, the business reputation as a capital of an entrepreneur, its property for a long time of business management was one of the first to be presented by the Austrian economist J. Schumpeter [30]. In his turn, he regarded the loss of business reputation as a risk, obviously, with a view to reducing future income.

Reputational capital is a multi complex construction, which is characterized by a number of unique properties, such as :

- lack of material form,
- inseparability from the carrier (individual, organization),
- non-belonging to the subject,
- the interdependence of its elements,
- long, careful and consistent formation,
- ease and speed of loss.

The main structural components, according to the research of foreign and domestic authors, are:

- quality of goods (services),
- financial condition of the organization (dynamics of financial indicators, financial stability of the organization),
- efficiency of corporate governance, market position of the company,
- top management reputation,
- corporate social responsibility,
- stakeholder engagement model,
- information policy of the company.

The most important tasks of the branch of hotel and restaurant business in the direction of formation and provision of reputational capital are the following :

- increasing the flexibility of competition policy;
- rapid change of direction of activity in accordance with the demand of consumers and simultaneous operational implementation of new organizational structures at the enterprise;
- creation of a market concept for hotel and restaurant business in Ukraine and resource management systems;
- analysis of the factors determining the efficiency of resource support of hotel and restaurant complex enterprises;
- research of indicators of resource efficiency;
- economic evaluation of human resource utilization;
- methodical basis of resource management.

No single organization, despite its legal status, does not stop to take care of its own positive reputation today, as it pledges significant profits due to the expansion of the base of potential clients, business partners, and qualified staff. The company's reputation is an intangible asset, but due to changes in business, the value of intangible assets can several times exceed the material value.

Thus, according to Interbrand's data, Coca-Cola Group's intangible assets make up 96% and only 4% are factories, plants, and capital, respectively, with IBM corresponding to 76% and 24%, and British Petroleum 58% vs. 42% [9]. In the manufacturing sector, or B2B (English Business to Business), where there are several other benchmarks, the ratio is about 20% (reputation) to 80% (tangible assets) [9]. Therefore, the business reputation of the organization is a special article of financial investments from management that seeks to bring its business to a new market level.



## **2. The essence and tools of reputation management in the sphere of service and administration**

Companies with a high reputation in the market constantly monitor the results of a reputational audit in order to respond in a timely manner to reputation estimate and possible threats. These issues are addressed by reputation management (RM). In the post-Soviet space, reputational management is often confused with the anti-crisis, that is, they recall about it when it is necessary to save the business. Reputation management is a long-term strategy for creating, controlling and maintaining the necessary company's image. RM's main goal is to don't allow to create a reputation spontaneously. This concept, which is new enough for Ukraine, is a powerful current technology, it has been used for a long time and effectively in countries with more developed economies - the USA, Canada, the countries of the European Union, Japan, South Korea, Israel. Special significance RM acquired in the era of the Internet and social networks, when Internet technologies shape the attitude of society to one or another phenomenon, company, personality. Proper management of reputation capital will help businesses to respond to complex demands and experience difficult times. Reputation management is a rather complex business process of the highest level of management, complex and multidimensional, which requires a systematic approach, strategic vision and understanding of the direction vector, the ability to select the optimal set of communication tools, and so on.

Already theoretically formed and practically completed direction of the estimation of business reputation, widely popular in the business world of all spheres of activity - these are the ratings of companies based on their business reputation and performance indicators.

The gained algorithm for the formation of reputation management recommends the basic elements that are taken into account by the National Rating of the corporate reputation management "Reputation Activists", which is being held in Ukraine since 2015, and includes industry sectors of the economy in such functional nominations: "Reputation Stability", "Media Activity", "Innovative Approach ", " Image Capital of Corporate Social Responsibility "and" Anticrisis of the Year "[20].

Among the basic elements:

- presence of reputation management infrastructure (specialized unit in the organizational structure);
- the breadth and regularity of the use of tools for building the reputation of a business unit within the framework of the principle of mental adequacy (PR - public relations, GR - government relations, HR - human resources, IR - investor relations);
- continuous monitoring of business processes;
- stakeholders relation to the organization (effective feedback system);
- openness of the organization to communication with media representatives;
- usage of creative approaches in key situations;
- image capital of corporate social responsibility.

In the domestic market of hotel and restaurant services there is a sufficient number of establishments that can rightfully be classified as highly reputable companies that annually nominate thanks to the mentioned above nominations in HORECA. This is Gastro family - Dmitro Borysov's family of restaurants, Sergiy Gusovsky's restaurants, Kozyrna Karta restaurants, Mafia. In the direction of functioning of the new trends in the restaurant business, the eco-culture of restaurant services is being formed and provided, and the network of eco-restaurants "Batjkivsjka Khata" by Mikhailo Poplavskyi, which in 2015 was recognized by the Association of Cooks of Ukraine as the "Best Restaurant of Ukrainian Cuisine" in the category "Eco", should be noted. President of the Association of Cookers of Ukraine Mikhailo Peresichnyi said, "Batjkivsjka Khata" has gained the favor thanks to the popularization of national cuisine. The restaurants of the network adhere to the popular cuisine in the modern world of cookery - simple natural food from environmentally friendly products. This is a new look at the Ukrainian national cuisine from a European point of view. " The number of competitive establishments in the hotel and restaurant industry is increasing annually, and as a result, consumers are less and less guided by rational motives when choosing a service, and increasingly, values are given to emotional factors - stability, prestige, reliability, everything that cooperates with the business reputation of the hotel restaurant industry business.

Monitoring the reputation of the company should be a compulsory action - a kind of corporate must have (what should necessarily be). This method of tracking the reputation of the company should be carried out systematically, professionally, efficiently. On the basis of the obtained results, "crucial" for business management decisions are made. Not every company can cope with reputation management without help of a professional agency, new technologies. In our country, the rapidly developing direction of "reputation management" (SERM - search engines reputation management). As a service, it began to develop actively and became popular in the B2B market. Its activity is aimed at creating a favorable sphere for a company, brand or public person on the Internet.

The western business has long been convinced that the reputation of top management is a more stable asset than, for example, property. The high business reputation of the top manager of any business structure is a part of the company's goodwill that is the excess of the purchase value of assets over their actual price. Thus, according to research conducted by Interbrand and Business Week magazine, the reputation value of a manager can be up to 70% of the company's market capitalization, and the main characteristic of reputation is the trust on him of his subordinates, colleagues, partners, media representatives, etc. Significant Ukrainian business today is clearly personalized and is conceptually linked to its owners, whose reputation today depends on 40-60% of a particular business. Despite the business benefits of a positive reputation, many Ukrainian top managers do not consider it an important element in the capitalization of their companies. The main reason for this attitude is that reputational management requires a significant PR budget (openness has its price), in

the absence of a single reputational strategy for domestic business, and there are situations when due to the short-sighted thinking of the owners or the company's monopoly position in the market, the concept of “reputation” and its components are generally ignored.

Experts recommend top management to analyze the work on the formation of a positive reputation using a detailed SWOT-analysis, to develop there a rating scale in terms of knowledge, professional competencies, work experience, personal data.

Today, the media and the Internet play a significant role in shaping business reputation. An integrated approach to the formation of reputation should be carried out online and offline (monitoring of brand references in online sources, analysis of radio, TV, media, news agencies) to assess the company's media activity, competitors and the market, planning strategies, budgets, protecting the company's reputation at the time of crisis situations, optimization and improvement of business areas of companies that are not currently effective. Such a set of events of the company's reputational PR management will increase the positive content of the business and occupy its proper place in the rankings.

Strategic reputation management begins with working on information that is presented about a particular hotel or restaurant on the Internet. It is conceptual to present the management of the reputation of a hotel and restaurant establishment in online profiles as follows:

1. site - filling, expanding accurate information, relevant menu, beautiful images;
2. feedback analysis;
3. work with special networks. Creative presence in social networks provides enormous advantages over competitors.

Manage actively your restaurant's online reputation with an effective cloud-based solution (cloud platforms) to improve your restaurant experience and increase the amount of positive feedbacks on social networks. Online reputation is the way to increase the profit of a hotel or restaurant. According to statistics, only 14% of social network users trust advertising in Ukraine, and 74% trust the opinions and recommendations of other users. The situation abroad is similar - only online recommendations are the basis of management decisions for 72% of managers. Digital transformation eliminates most of the traditional approaches to business management. The culture of attitudes towards digitalization as an opportunity and the main factor of competitiveness is changing. Managing your reputation in terms of transparency, availability of information and the development of social networks is simple and difficult at the same time. The world has entered an active digital age. Now everyone, regardless of location, has the opportunity to be "at a click away" from the enterprise.

In the globalization, digitized and thanks to these transparent business, every business and representative of the business elite are the face of the country's business environment, contributing to the strengthening of Ukraine's international and investment image. Investment attractiveness and business prospects of a country today depend on organizations and their reputation management systems, on representatives of the business community and their image.

“A successful business works for the country's positive reputation. The more successful companies - the better they perceive the country in the world. Of course, business must first of all build its reputation, but successful cases of dozens and hundreds of private companies shape the perception of the country in which they work,” Borys Lozhkin, secretary of the National Investment Council, said at the Kiev International Economic Forum. The President of the Hoteliero and Restaurateurs Club "Hoteliero" and the founder of the National Solj\* Restaurant Award Andriy Skipjyan noted that the restaurant business is the face of the country, its reputation.

### **3. The concept of business reputation as a financial category. The concept of "goodwill"**

The concept of business reputation as a financial category exists for more than one century. The concept of “goodwill” appeared in English literature (goodwill is an economic term that uses accountancy to reflect the market value of a company minus the inventory value of own capital). This category has gone a long way of development and modernization, has become an important accounting category, although in different countries there has not yet formed a unified approach to the definition of the essence of this concept.

The officially studied category was entered the mainstreaming in 1891, when the English book-keeper F. Mohr first proposed to estimate goodwill based on the size of the additional income that it generates [18]. At the same time, there were also problems that remain relevant today - the assessment of goodwill and its reflection in the accounting system. At present, goodwill as an economic and accounting category remains a subject of discussion not only in Ukraine, but throughout the world due to its multivariance reflection in accounting of various countries as an intangible asset: as part of other assets; as expenses of the reporting period; future spending; as a factor in capital changes. Evaluating Ukrainian enterprises, potential investors and partners increasingly pay attention not to the price of tangible assets, but to the value of intangible assets. And this is, by the way a global trend.

One of the first researchers of the category of “goodwill” in financial theory was I. Sher, who considered goodwill to be a “special type of veiling balance” that distorts the position, condition and size of an organization's property, should obscure some facts of economic life, that is, redo the balance sheet in form and content [28]. Profit due to goodwill accounting theorist E. Schmalenbach called "commercial fund number 1" [26]. The scientist insisted that the expenses for goodwill should be capitalized and reflected in the balance sheet of the organization as deferred expenses with amortization for 10-15 years, that is, he recognized the feedback of these expenses. E. Schmalenbach associated goodwill with the additional profit that results from the well-coordinated work of the organization's staff [26]. Following his opinion, a successful enterprise sells a product (service) at a higher price than its competitors. The difference in price is due to higher incomes on the organization of team management, professional development and so on.

This difference forms the amount of goodwill. The economic (substantive) approach to understanding the essence of goodwill is reflected in the writings of specialists on valuation of immense assets and intellectual property R. Braley [2], B. Leontiev [16], S. Myers [2].

A great amount of corporate mergers and acquisitions in the west, in which companies transferred to another property at a much higher price than the value of assets, is a confirmation of the intangible, inalienable from the organization itself, which changed the value of the new business structure. A classic example: Ford acquired the Jaguar trademark for 1 billion 600 million dollars, of which 1 billion dollars was paid for the intangible cost component - goodwill.

In the domestic literature, the existence of goodwill as an independent category until recently was impossible. The period of the planned centralized economy of enterprises and their assets could not be the subject of sale, and, as a result, there could not be a goodwill effect. The development of market relations in the national economy led to the ability of enterprises to act as business entities and objects of civil law in relation to the property complex, which is used for business activity. This means that it became possible to purchase and lease transactions, and so on. Despite the controversial views of researchers on the essential characteristics of goodwill, it can still be concluded that goodwill, which was present at excess profits, manifests itself only within the organization (subject) and cannot be sold as an independent unit. Each economic category, including business reputation, requires a justification of the estimated parameters that are used for its integrated assessment. Since goodwill is intangible, its presence or absence can be judged by the success of the hotel and restaurant business. For example, if among hotel-catering business companies that operate on an equal footing (territorial, price, service), one attracts more guests than others, this indicates that its goodwill is more valuable.

The generally accepted method of assessing business reputation does not yet exist. There are qualitative and quantitative estimation methods. Usually, business reputation is assessed by qualitative indicators, but quantitative indicators are also used, and they do not provide for an accurate assessment of reputation. Qualitative methods are based on the results of sociological inquiries, expert estimations, ratings and reviews on social networks and Internet resources. One of the quantitative methods is the method of excess profitability (excess profits). In practice, the reputation of an organization is assessed as the possibility of obtaining loans at a lower interest rate or a loan. Based on this, some researchers conclude that the reputation is directly proportional to the capitalization and creditworthiness of the organization and inversely proportional to the risks. Another group of researchers focuses on the influence of the phases of the economic cycle (risks) on the capitalization and creditworthiness of the organization, while business reputation does not depend on market conditions.

Reputational capital is directly proportional to the capitalization and competitiveness of organizations. Reputation management facilitates enterprises access to various resources: financial, investment, information, human, and others; it helps to look ahead with confidence, to have an advantage over competitors, to build an effective business growth strategy.

That is why domestic enterprises should participate in the development of the methodological foundations of reputation management and the formation of an effective mechanism for managing reputation. Thus, today there is no doubt in the research community, or in expert environments, or among business, government and society representatives the need for thoughtful, systematic and planned management, control and increase of the reputational capital of organizations, institutions and business in general.

### **Conclusions.**

The results of the research of a wide range of theoretical sources and practical developments in foreign and domestic business environments allow us to draw the following conclusions:

1. Today, for the successful functioning of a business, a valuable strategic resource and an instrument in the competitive struggle is business reputation as a stakeholder estimation of compliance with expectations and real situation.

2. The necessity of business to invest funds, efforts, intelligence for the formation and further development of this intangible asset as a carrier of profit in the form of material, social, political and financial resources is substantiated.

3. Management of business reputation requires the formation of an effective mechanism, taking into account the multi-factor influence and the different directions of ways.

4. Methods for estimating reputational capital should be determined taking into account the conditions of the domestic business environment and the practical developments of the best Western business models.

5. Reputation management should be formed on the basis of the strategic priorities of the industry, enterprises and long-term business development plans.

6. The multiplier effect of "goodwill" has a chain character and has a positive effect on the process of manufacturing a product (service), relationships with a wide range of stakeholders.

7. With the fullness of the hotel and restaurant business with high-quality services of the same type, non-obvious factors became the top priority (intangible assets of hotels and administrators ): business reputation, including managers and administrators, brands and effective communication system and a quality collaboration strategy with target audiences.

8. The reputation of the hotel and restaurant business today is extremely vulnerable. Competition exists everywhere; only the value of its tools changes depending on the level and resources.

9. The results of the monitoring analysis will help enterprises to expose the "pain points" that competitors can strike. Therefore, reputation management is the most demanded and important area of professional activity.

The scientific novelty of the research is determined by the originality of the goal setting, the generalization of the best business experience in the formation and the content of positive business reputation; improving factor analysis of the impact on business performance, taking into account the changing environmental conditions; further development of new scientific information that can be used in specific business conditions.

The practical significance of the results is determined by the results of scientific research, which can be directly used or implemented in a particular area of psychological, social, economic or financial practice of individual sectors of the national economy.

Prospects for further research. A continuation of the scientific problem in the research sense will be the development for the hospitality industry of a complementary and interconnected multiplier model: a good business reputation of the business - strengthening the country's reputation - implementing investment decisions - increasing the tourist flow - developing the hotel and restaurant business.

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## **BACKGROUND OF UKRAINIAN-POLISH CONTRADICTION**

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**Abstract.** *Events in the territory of modern Ukraine between 1917 and 1920 are at the center of attention of many scholars. Such attention of scholars to the problems of the national history of 1917-1920 is determined not only by the turbulent nature of the events of that era, their complexity and dramatic progress, but also the extraordinary intellectual saturation. The political systems of Ukrainian statehood of that period reflected the whole spectrum and multi-vector of political and legal foundations of their existence, directions of implementation of internal and foreign policy, orientations of their leaders in complex geopolitical combinations. Therefore, it is necessary to analyze the main issues related to the formation of the national, cultural, political, confessional self-identification of the Ukrainian people and the aspirations of its representatives to propose a model of social and political structure that would provide the conditions for the development of all citizens of Ukraine in the most appropriate and most expedient way.*

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**JEL Classification: N44**

### **Introduction.**

Events in the territory of modern Ukraine between 1917 and 1920 are at the center of attention of many scholars. Such attention of scholars to the problems of the national history of 1917-1920 is determined not only by the turbulent nature of the events of that era, their complexity and dramatic progress, but also the extraordinary intellectual saturation. During 43 months, politicians and public figures have offered and implemented (or made attempts to implement) all the models of socio-political structure known at that time:

- by form – from the monarchy to self-government, based on anarchist ideas;
- by content – from extreme liberal to extreme totalitarian.

The political systems of Ukrainian statehood of that period reflected the whole spectrum and multi-vector of political and legal foundations of their existence, directions of implementation of internal and foreign policy, orientations of their leaders in complex geopolitical combinations. Therefore, it is necessary to analyze the main issues related to the formation of the national, cultural, political, confessional self-identification of the Ukrainian people and the aspirations of its representatives to propose a model of social and political structure that would provide the conditions for the development of all citizens of Ukraine in the most appropriate and most expedient way.

Particular attention to these problems is also due to the fact that the historical experience gained at that time provides the key to an understanding of the deep socio-political, cultural and economic processes taking place both at the level of Ukrainian society and at the level of political and state institutes, as well as at interstate and geopolitical levels. The political situation of the Poles and Ukrainians within the Austro-Hungarian Empire was significantly different [1] – Poles were in conflict with the monarchy because of the desire to gain independence or at least the autonomy of Galicia, which was considered a Polish territory. During this period, the views of the Polish political elite were divided into pro-Austrian and pro-Russian, which in various ways represented the way for the Poles to gain independence. The first of them called for an active struggle for the restoration of statehood on the side of the Central Powers, while representatives of the second concept put their hopes on Russia, and only then on the western allies.

At the same time, the attitude of Ukrainian politicians towards the aspirations of the Poles was also unclear: the Ukrainians hoped for the division of the Kingdom of Galicia and Lodomeria, where the Eastern Galicia should become purely Ukrainian territory [2].

Within the Ukrainian national movement in the years of the First World War, two main directions can be singled out:

1. "Pragmatic", which was popular in the Habsburg monarchy and based on the the struggle for the formation of the Ukrainian autonomous region. This direction was represented by Ambassadors to the Galician Regional Sejm and the Viennese Parliament.

2. "Pan-Ukrainian", which recognized that Eastern Galicia plays a leading role in the Ukrainian national movement, while the Central States were seen as a force through which to liberate the Dnieper Ukraine from the Russian influence and form a united state. Representatives of this direction were mostly young Western Ukrainian intellectuals, a large part of which belonged to the Russo-Ukrainian radical party and the Ukrainian Social-Democratic Party (USDP).

Simultaneous efforts of Ukrainian and Polish national ideologists to draw Eastern Galicia into the process of their own state formation testifies to the transition of Ukrainian-Polish relations to the stage of an open political conflict. Both peoples shared the Austrian factor, which for the Poles was the foremost to guarantee the maintenance of the territorial and political unity of Galicia.

The Polish pro-Austrian orientation in comparison with the Ukrainians lasted less and had many opponents. The activity of the Ukrainian national movement in Galicia aimed at an independent Ukrainian nation, before the war, occasionally created tensions in relations between Russia and Austria-Hungary [3]. As a result, relations between the two neighboring peoples developed in the direction of conflict, and the main question of ethnic boundaries and borders remained. The intentions of Ukrainian circles to create their own national state caused anxiety to Galician Poles, as it threatened to cut them off from their people and turn them into a genuine national minority.

The response to this threat was different. The attitude of Polish politicians was close to neutral: on the one hand, they understood that the formation of a Ukrainian state in the Dnieper would respond to Galicia and create a threat there for Poland, on the other, they were even more frightened by the danger of the restoration of "great Russia" [4].

### **1. Geopolitical status and relations between Ukraine and Poland after the end of the First World War**

The February Revolution of 1917 and the overthrow of tsarism, which created the conditions for the liberation of Ukraine and Poland, had a significant influence on the Polish-Ukrainian relations. With the fall of autocracy, life put the leaders of the new regime in a fundamentally different kind of problem. To implement the claims to the role of representative of the revolutionary Ukraine, the national movement had to solve three fundamental problems:

- to renounce its "narrow-minded" character;
- to go beyond the narrow circle of the Kyiv intelligentsia, which, in turn, required "legalization" of the basic principles of the Ukrainian movement;
- to reach a public consensus on the programmatic requirements of this movement.

This, in turn, meant not only the need to resolve complex interactions between different political circles of Ukraine, but first of all to reach consensus on the principle issues between national groups living on the territory of Ukraine. For these and other issues, the leading Ukrainian leaders began to seek answers from the first days of the revolution.

The management of the political situation, the deepening of the revolutionary process under the leadership of the Ukrainian intelligentsia required the legitimate dissemination of the influence of the Ukrainian Central Rada (UCR) throughout the territory of the Southwest Territory [5]. Hrushevsky saw the need to provide UCR, as the main national political institution, a permanent form, to choose its permanent composition, to define its relations with various non-Ukrainian organizations. All-Ukrainian National Congress was held on April 6-8, 1917, and in the opinion of its organizers, solved two fundamental problems: formulated the main ideological slogan of the movement – the requirement of broad national-territorial autonomy of Ukraine as part of the Russian republic and laid the organizational foundations for its implementation.

From the political and legal point of view, Congressional resolutions proclaimed the right to self-determination of the Ukrainian people, by empowering the UCR to implement it, as well as the right for international status of Ukraine. These decisions were supported by the All-Ukrainian Military Congress. Its delegates recognized the UCR as "the only competent body capable of dealing with all matters relating to the whole of Ukraine and its relations with the Provisional Government" [4, 6]. The process of realizing Ukraine's real place in the new political context forced the UCR to reconcile and harmonize the relations between Kyiv and Petrograd, to begin negotiations with the Provisional Government in order to secure the publication of a special declaration recognizing the right of the Ukrainian people to national-territorial autonomy. However, these negotiations failed [7].

The discussion of the problem at the session of the UCR on June 1 showed that the leadership of the Central Rada chose not the path of compromise, but a further radicalization of their demands and actions. The Ukrainian camp finally split into three parts: moderately conservative, radical and radical-liberation. The central government officially refused to recognize the Council as an expression of the will of the entire Ukrainian people, since it was not elected by popular vote. The shakiness of the legitimate and political positions of the Provisional Government itself, the unwillingness to attract other peoples to self-determination, the desire to prevent further complication with the Council of Workers', Soldiers' and Peasants' Deputies, the circumstances of wartime and geopolitical considerations, were the factors that prevented the satisfaction of the demands of the Ukrainian side.

The tactics of the central government in negotiations with the leaders of the Ukrainian national movement, which was to postpone the decision of the All-Russian Constituent Assembly, led to radicalization of the requirements of the latter, the intentions of which became ultra-socialist. In particular, it was about the prompt implementation of the basic principles of the autonomous system of Ukraine. On June 10, at the Second All-Ukrainian Military Congress (and not at the meeting of the Central Rada), the text of the I Universal of UCR was adopted, which proclaimed the autonomy of 9 provinces in Russia. Despite the loud propaganda meaning, I Universal did not become a factor in the consolidation of split society [7].

The adoption of the II Universal played an important role in the political history of Ukraine [8, 9]. It was the document that the Council itself did not consider and did not accept – its session ended two days before. The Universal consolidated the agreements reached with the "socialist" part of the Russian Government: the General Secretariat was assigned the status of a regional executive authority, the refusal to implement the autonomy of Ukraine prior to the convening of the All-Russian Constituent Assembly was reported. Another innovation of the document was that its authors first appeared on behalf of "citizens of Ukraine", and not only "the Ukrainian people" [10].

Most of the leaders of the Ukrainian movement in the summer of 1917 began calculating the possibility of a political combination, as a result of which "Ukrainian lands" in the near future could become the subject and the object of independent political existence. This change was made possible solely by the position of the leadership of the constitutional-democratic party, on the one hand, and the extreme radicalism of the left-socialist parties and groups, especially the Bolsheviks, on the other [11].

After the July events in Petrograd, the UCR leadership was able to act without any attention to the central government. On August 4, Petrograd officially announced the adoption of a compromise "Temporary Instruction for the General Secretariat of the Provisional Government in Ukraine", based on the inability of the liberal-socialist government to develop a rational and acceptable approach to the Ukrainian problem for both sides. The adoption of the "Fundamentals of Temporary Management of Ukraine" or "statute" of the General Secretariat took place in conditions where revolutionary enthusiasm took precedence over pragmatic calculations, and most importantly, – over law. The subsequent decisions of the UCR, adopted by a minority of the votes of its full members, created an insurmountable gap between the various factions and groups of the Council, laid the precedent of imposing a political will by a majority, and finally recorded the withdrawal of this organization beyond the existing legal space in the state. The General Secretariat did not have full authority.

After the first news of the Bolshevik coup in Petrograd on October 25, the closed meeting of the Small Rada refused political support to the legitimate central government and chose the "Revolutionary Committee for the Protection of the Revolution in Ukraine", which should obey all local authorities power [11]. Thus, Small and, consequently, the Central Rada once again went beyond the legal field. The III All-Ukrainian Military Congress, in the euphoria of "revolutionary expediency", actually supported the Bolshevik armed insurgency and the immediate proclamation of the statehood of Ukraine. Ukrainian politicians could not become the main center of the anti-Bolshevik struggle at a time when the Bolshevik authorities have not yet acquired a nationwide scale.

On November 9, recognizing the existence of the Bolshevik government as the government of "Great Russian democracy", the General Secretariat made another important step towards the ultimate destruction of the democratic political and legal space that began to emerge in the country and the whole system of international legal and contractual relations that were defined the role and place of the country in the world. The UCR began practically implementing a course to establish a political regime of revolutionary "Soviet democracy", to break the allied relations with Western democracies. During the first weeks of November, the leaders of the Ukrainian national-socialist movement distanced from the only legitimate source of power at that time in the country, made it impossible for any future compromises and understanding, terminated the existing international legal relations and unions, created at least three fronts for Ukraine:

1. foreign policy – with the countries of the Entente;
2. internal politics – with the Ukrainian Bolsheviks and their accomplices, on the one hand, and anti-socialist forces, on the other;
3. Military – with the Bolshevik regime in Petrograd.

The leaders of the UCR chose to create an independent state in Ukraine using illegitimate means and methods - a subject of international law in the form of a national socialist republic, whose full rights should belong exclusively to representatives of the so-called "working classes of the population". The foreign policy of the newborn Ukrainian state fundamentally ignored the processes that took place in neighboring countries [12].

Within the Ukrainian politics there was no consensus on the very concept of "state independence of Ukraine". In the conditions of the collapse of the front, the spread of the Bolshevik attack on Ukraine, the loss of control over the territories, the absence of their own armed forces, the leaders of the Ukrainian revolutionary socialist state lifted the slogan of "independence" as the only means that, in their opinion, would allow one-time solution of fundamental military, political, economic and legal problems that have arisen because of their previous actions. Already from the first steps of its activities, the Central Rada paid considerable attention to the issues of Ukrainian-Polish relations. During 1917 - early 1918, Ukrainian-Polish relations did not yet become interstate, since Ukraine was the only autonomy in Russia [13], but the nominal Polish Kingdom also did not constitute a full-fledged state body, because it was in the Austro-Germanic dependence. Thus, for Ukraine, the problem of Ukrainian-Polish relations was for some time internal in nature, since after Russians and Jews it was the third largest national minority in Ukraine. Poles supported the aspiration of Ukrainians to self-determination. Polish politicians were aware that in the Ukrainian state they would have a greater influence on political or economic life than in the Russian multinational, but not federal state.

Another important problem facing the UPR was the need to establish relations with Polish military formations that emerged from the ranks of the former Russian imperial army and to determine their status in Ukraine [4]. In fact, they no longer obeyed the Supreme Commander-in-Chief of the Russian Army. For the Ukrainian political movement, this was an important factor in the event of an armed conflict, and also testified to the possibility of Polish-Ukrainian military cooperation. Fortunately, the process of creating Polish armed units in 1917 did not cause significant Ukrainian-Polish conflicts. Moreover, when at the turn of 1917-1918 the Bolshevik Russia initiated its first armed aggression against the UPR, the Ukrainian government tried to secure the support of Polish military formations, but they all chose a position of friendly neutrality towards Ukrainians, and some of the Polish units provided the troops to the Central Rada for the defense of Kiev from the Bolsheviks.

The course of events in Ukraine in the autumn of 1918 - beginning of 1919 indicates that the opposing forces could not find a compromise and find a way to civil peace [13]. The end of the World War posed many questions to the two neighboring nations.

The most important among them was the definition of borders and affiliation of Eastern Galicia. The fate of Ukraine, including Galicia, was decided in Brest-Litovsk, where peace talks took place from the beginning of World War [14]. On December 25, 1917, a delegation of the UPR, led by V. Golubovich, arrived in Brest-Litovsk. The delegation tried to put forward the idea of recognizing the power of the UPR over the territory outlined in III Universal, but also the inclusion of those Ukrainian ethnic lands that were part of Austria-Hungary, as well as Kholmshchyna and Pidlyashchyna. The identified borders between Poland and Ukraine lay along Bilgoray - Shchebreshin - Krasnoshtun - Pugachev - Radin - Mezhrichchya - Pruzhany. On February 2-4, 1918, a closed congress of Polish self-governing organizations from the Kingdom of Poland and Galicia was held in Krakow with the participation of various political parties and the Polish Independence League. The congress adopted the requirements for the formation of a Polish state from all the Polish lands and the admission of the Polish delegation to the negotiations in Brest. However, the Polish delegation, as well as delegations from the Galician Ukrainians, were not admitted to the Brest-Litovsk negotiations [4].

However, at the Brest negotiations at the request of the Germans, Austria-Hungary agreed not only to give the Ukrainians Kholmshchina and Pidlyashchia, but also promised to divide the land into two separate parts, Ukrainian and Polish [15]. This condition was recorded in the secret protocol attached to the main text of the Brest Peace, and the signing of a peace treaty took place on February 9, 1918. The course of Brest talks accelerated the evolution of Ukraine's independence. This was the first international legal act that defined the UPR as a subject of international law.

The Brest peace has established the borders between Ukraine and Austria-Hungary along the old border with Russia: the Austrians did not agree give eastern Galicia, Bukovina and Transcarpathia to the UPR. In a secret protocol, they pledged to create from the Eastern Galicia and Bukovina within the monarchy the only Ukrainian autonomous region. Consequently, the provinces of Galicia and Bukovina, according to the treaty, should have become the Ukrainian provinces of the Austro-Hungarian Empire.

The news about the signing of the Brest Peace Treaty was negatively assessed by the Polish political camp. In public opinion, the division of Galicia, the transfer of Volyn and the Kholm region to Ukraine, the separation of the Belarusian and Lithuanian lands seemed "betrayal of national interests." The achieved understanding in Polish-Ukrainian relations was lost. However, the conditions for signing the agreement in Brest revived the enthusiasm of the Ukrainian population of Eastern Galicia. For many centuries, under the control of other states, most of the population of the western Ukrainian lands sought reunification with the Great Ukraine. The Ukrainian politician, led by E. Petrushevich, convened in Lviv a meeting of representatives of political parties, ambassadors of the Sejm and Parliament [2, 4]. The congress decided to create a national-territorial autonomy from the Ukrainian lands of Galicia and Bukovina in which representatives of all nationalities

would have equal political rights. Again, the requirement for the separation of Galicia and the formation of a separate Cropland from the lands of the Eastern Galicia and Bukovina were decided. To this end, it was decided to convene an inter-party council and to form a Ukrainian administration in eastern Galicia as an organ of protection of national-political rights of the Ukrainian people.

The Western Ukrainian People's Republic united Ukrainian ethnic lands, the historical name of which is Bukovina, Halychyna, Transcarpathia. The Ukrainian People's Council was the central representative body of the Ukrainian population of Galicia and Bukovina. From October 1918 to June 1919, it acted as the interim legislature of the republic, having no permanent staff throughout the period of existence. UPC created its own structural unit – Presidium consisting of President E. Petrushevich, four deputies and two secretaries. As a result of such events, in the first half of 1918 the Polish-Ukrainian relations in Galicia became critical. [15]. The Brest peace was a harbinger of the future Polish-Ukrainian armed conflict, which for some time held back Germany and Austria-Hungary, which after the signing of the agreement kept under control not only Poland but also Ukraine. At this time, Ukrainian-Polish relations in the internal affairs of Ukraine are beginning to grow into inter-state relations.

At the final stage of the war, the relationship between the Ukrainian and Polish political forces was characterized by the transition from a temporary position of neutrality between the two peoples to a sharp struggle for ethnic territories. Moreover, the sooner the war reached its completion, the more acute the relations between the two neighboring nations became. Particularly they worsened when it was a matter of the Eastern Galicia, which both peoples wanted to see in the composition of their state. Because of such events, at the end of 1918 the Ukrainian-Polish relations moved from political struggle to armed, which became a new stage of cohabitation of two neighboring peoples.

After the revolutions in Germany and Austria-Hungary in autumn 1918, a number of self-proclaimed committees and governments claiming supremacy took place in the occupied territories of Poland. A Polish liquidation commission was established in Krakow, which announced the purpose of the reunification of Galicia with other Polish lands [16]. The uncertainty of the eastern border gave the Poles the opportunity to develop expansionist plans. The Entente in general was friendly towards Poland as an anti-Soviet force in Eastern Europe. Taking advantage of the extremely difficult situation of the Soviet republic, already in mid-February 1919, Polish troops launched an offensive from the Bug in the east - first in Eastern Galicia, then in Belarus and Lithuania. The Red Army retreated without major battles, because its main forces were engaged in the south and east in the struggle against the white movement. In April 1919 Poles took Vilna, in the summer – East Galicia [17], in August - Minsk, by autumn they went to the Western Dvina and Berezina. After this campaign, there was a temporary lull.



## **2. Ukrainian foreign policy during the November National Democratic Revolution of 1918**

With the beginning of the Ukrainian national-democratic revolution, the international factor became one of the most important directions for the new Ukrainian authorities. At all stages of the state-building of Ukraine – the Central Rada's era, Hetmanat of P. Skoropadsky, the Directorate of the UPR, the West Ukrainian People's Republic in 1917-1923, and also during the years of independence from 1991, – foreign policy departments with their diplomatic service were an important part of the state. Development of the apparatus of international relations in modern conditions could use this peculiar experience of the process of creating the diplomatic service of the independent Ukrainian statehood of 1917-1923, when the first steps of building the foreign policy of the new era were made. Thus, the study of this problem is important and relevant not only in the context of the historical study of the history of Ukrainian diplomacy, but also in terms of finding out Ukraine's contribution to the European political process. The leadership of the Central Rada was forced to engage in foreign policy problems from the very beginning of its existence, without having a special agency. The process of creation of foreign policy and national diplomacy can be divided into three stages. Each of them is characterized by a different priority of relations with the leading international forces of that time [18]: Russia, which was increasingly plunged into revolution and civil war; the countries of the Entente, which made enormous efforts to win the First World War; Germany and its allies, who were looking for opportunities to stop fighting on the Eastern Front and thus weaken their opponents.

From the first days of the Central Rada until November 1917, the preconditions for the emergence of the Foreign Service were gradually accumulating. An important state-organizational prerequisite for the establishment of a diplomatic service was the emergence of the General Secretariat of International Affairs, which was initially headed by S. Efremov, and from July 25, 1917 - O. Shulgin. Based on the Secretariat of International Affairs, began the creation of the first foreign-policy institution in the history of the twentieth century [19]. Therefore, on Dec. 22, 1917, it was decided to establish a secretariat of international affairs, headed by A. Shulgin. In the governmental decree, signed by V. Vynnychenko and A. Shulgin, new tasks and functions were defined: international relations, protection of the interests of Ukrainian citizens outside the Ukrainian People's Republic, etc.

In autumn 1917, the capital of Ukraine became the center of contacts and revitalization of negotiations with representatives of the Entente, especially France and England. Of course, these days the Entente's interest in Ukraine grew significantly, which was mainly due to their clear fear of eliminating the Eastern Front and the redeployment of the divisions of Germany and Austria-Hungary to the west. Conscious of the importance of close relations with Ukraine, the Entente military tried to convince Paris of the expediency of promising of any support to the UPR. In late November and early December, French missions in Iasi, Petrograd and Paris discussed their intentions regarding Ukraine.

The French government abstained from encouraging separatist politics and was extremely cautious about Ukraine's independence. The orientation of the UPR's foreign policy toward the Entente was shaky, but preserved. At the end of December 1917, Ukraine faced a real threat of the loss of the conquest of the revolution due to the absence of its own armed forces to defend against the Bolshevik aggression. Therefore, in essence, in a hopeless situation, on December 24, the Government of the UPR handed over to the warring parties of the Central Powers and the Entente a note of intention to take part in the Brest Peace conference [19].

When making a decision on participation in the negotiations, the leadership of the UPR took into account national interests and hoped to conclude peace with the Central Powers and stop the aggression of Bolshevik Russia, as its delegation also participated in the conference. In addition, Kyiv considered it necessary to maintain good relations with the Entente states. Among the supporters of the orientation towards the Entente, there were many influential figures, including A. Shulgin, S. Petliura, and M. Hrushevsky, who never showed pro-German sentiments or thoughts. In general, the political evolution of the Central Rada from the slogan of Ukraine's autonomy as a part of Russia to the creation of the Ukrainian People's Republic, and subsequently the declaration of its full sovereignty, led to the restoration of independent international activity of Ukraine, lost during the period of statelessness. During the times of Central Rada, there were some main directions for the further development of the diplomatic service of the Ukrainian national-democratic statehood of 1917-1923. The work of this service during the Central Rada times was used in the development of the apparatus of international relations P. Skoropadsky's Hetmanat, Directorate of the UPR, the Western Ukrainian People's Republic [18].

A. Shulgin determined Ukraine's exit from the world war as the main priority of the activity of the ministry. Obviously, it makes no sense for Ukraine to continue to participate in the war against the Central Powers, to which the Ukrainian Provisional Government, in the person of its military minister O. Kerensky inclined. On the contrary, Ukraine needed immediate peace and the use of all the forces of the people for state building. On December 2, 1917, a Bolshevik delegation headed by A. Ioffe and L. Kameniev signed an armistice agreement with the German command and began negotiations in Brest on the signing of a peace treaty with the Central Powers. Meanwhile, the General Secretariat adopted a text addressed to the belligerent and neutral states, in which reported that Ukraine is on its way to independent foreign policy and international relations. One of the main directions of diplomatic activity of the UPR is "to start active work in the cause of peace" and calls on all the belligerent states to immediately begin peace talks [20]. The Germans welcomed the Ukrainian diplomatic mission in Brest, hoping to use its anti-Bolshevik mood to pressurize the People's Commissariat delegation [21]. When during a conference break R. von Kuhlmann January 1, 1918 addressed the deputies of the Reichstag, he has already confidently stated that he will hold negotiations in Brest not only with Russia, but also with "autonomous communities" and, above all, with the largest and most important - the Ukrainian state.

The military-political and internal situation in both Germany and Russia has prompted their governments to negotiate and make peace. Germany believed that once the Eastern Front troops were stationed on the Western Front, the fate of the war could be resolved. The Bolsheviks needed peace to hold power. It should be noted that the status of the People's Commissars for the period of the Brest negotiations and its international legal status were not recognized not only by the countries of the Entente and the Central bloc but also by state entities in the territory of the former Russian Empire. Therefore, the Ukrainian delegation chose the focus of its diplomatic activity on independent development of relations with the Central Powers.

Through its diplomatic steps, the leadership of the UPR created the legal basis for Ukraine to be considered on the international scene as a political entity equivalent to any other state. The Russian delegation tried to prevent the delegation of Ukraine from participating in the conference, and when it arrived, tried to subordinate it to itself. However, the Ukrainian diplomats defended their right and the right of Ukraine to act as an independent subject at the international conference with certain assistance from the heads of diplomatic missions of Germany and Austro-Hungarian, interested in worsening the international situation of Russia and the involvement of independent Ukraine in a mutually beneficial partnership [18]. The Austro-Hungarian delegation was slightly restrained, acknowledging Ukraine's only role in achieving peace in the East. At the same time, F. Rosenberg informally informed the Ukrainian delegation about Germany's readiness to meet, in particular, regarding their recognition as a plenipotentiary delegation from Ukraine.

Thus, the German delegation frankly directed the leadership of the Central Rada to take decisive steps towards proclaiming complete independence, and, in the same way, prompted the activities of the Ukrainian diplomatic delegation at the Brest peace talks, whose success in the struggle for recognition of independence required decisive action by the Government of the UPR. On the night of January 22, 1918, the Ukrainian Central Rada adopted the Fourth Universal, proclaiming the full independence of Ukraine. M. Hrushevsky acknowledged that foreign policy factors prompted this historic act: the conclusion of a peace treaty with the central powers in Brest and the organization of resistance to the Bolshevik aggression. The recognition by the Central Powers of the state legal status of Ukraine and its diplomatic delegation as an independent entity at the Brest peace talks was a great achievement. However, there were new obstacles to signing a peace treaty. The first of these was the emergence January 30, 1918, after a break in the conference, a delegation from the Soviet government proclaimed in Kharkiv, the Republic of the Soviets, which L. Trotsky summoned in Brest as an ally in opposition to the diplomatic mission of the UPR. It should be noted that in Brest, both Ukrainian delegations resorted to attempts to establish contacts. Especially detailed and lengthy conversations were held between Yu. Medvedev and M. Lyubinsky. Y. Medvedev invited the Kyiv and Kharkiv governments to empower diplomatic delegations in Brest and begin peace talks, "and most importantly, to end this fratricidal war." In addition, Y. Medvedev promised

"to expel all the Bolshevik Russians from Kharkiv" and to be the mediator in negotiations between M. Porsche and V. Lenin [22]. Ukrainian diplomats have shown great abilities to use the contradictions that existed between Bolshevik Russia and the Central Powers, the internal situation in Germany and Austria-Hungary [19]. They established friendly relations with members of the Austro-Hungarian delegation, who shared secret information with the delegation of the UPR.

The resolute and consistent position of the Ukrainian diplomats was based, first of all, on statements by the Heads of Delegation of the Central Powers and Bolshevik Russia on the rights of nations to self-determination. Consequently, the Extraordinary Diplomatic Missions of the UPR at the Brest Peace Conference in the difficult confrontation reached the first major success – recognition as a representative of a separate independent state. Given the difficulty in negotiating with the Russian delegation, Germany and Austria-Hungary considered it expedient to develop relations with Ukraine, especially with the proclamation of the IV Universal of the Central Rada, certain international legal bases were established for the recognition of the Ukrainian People's Republic by the Central Powers.

After the victorious end of the World War, France took the lead in shaping the foreign policy of the allies. Her position was decisive during the Paris Peace Conference, where the destiny of the peoples of Europe, in particular, Ukraine, was decided. Despite the attempts of Ukrainian diplomacy, Paris did not show a desire to develop relations with the Directorate of the UPR and, unfortunately, Ukraine, as an independent state, did not fit into the then-plans of victorious countries [23]. Thus, the orientation of the foreign policy of the Directorate of the UPR to the Entente, which was essentially reduced to relations with France, did not justify the intentions of the Ukrainian authorities. Among the main reasons for such a situation should be noted the political course of the Allies, who did not recognize Ukraine as an independent state and the main task was to strengthen Poland. In the legacy of the Hetmanate, the ministry received a wide network of foreign missions, whose activities were guided by the Department of Foreign Relations: diplomatic and consular departments.

The positive thing was to preserve the previous, justified practice, structural organization and a large number of diplomats. Despite the difficulties, the ministry made every effort to strengthen the diplomatic presence of its missions in the world. True, only at the end of the existence of the Directorate a draft reorganization of the Department of Foreign Relations was developed, according to which the diplomatic department was divided into 5 territorial units: the Slavic peoples, the Central Powers, the Anglo-Saxon peoples, the Middle Eastern peoples, the Roman peoples. Analyzing the development of foreign diplomatic representations of Ukraine in the Directorate's times, it should be noted that a significant number of foreign representations had the character of temporary emergency diplomatic missions, since Ukraine was not recognized as an independent state by the world community, with the exception of the Central Powers where there were Ukrainian embassies.

Since its inception, the UPR relations with the government of V. Lenin in Russia and the Soviet government of H. Rakovsky in Ukraine have been tense and accompanied by armed conflicts. The Soviet side has charged the Directorate for supposedly signed agreements with the Entente in Odessa. True, on February 5, the Soviet government appealed to S. Petliura, who was in Vinnitsa with proposals to make peace on the following conditions [18]: The Directorate recognizes the Soviet government in Ukraine; Strict neutrality of Ukraine and active defense against the Entente, Denikin, Krasnov, Poland; Joint struggle against counterrevolution.

The dictated terms actually meant the capitulation of the UPR. Undeniably, all these proposals have been rejected. Consequently, diplomatic directives of the UPR Directory did not justify themselves, and its leadership came to the conclusion that hoping for an understanding with the powerful powers of the East and the West is useless as they do not recognize the right of the Ukrainian people to statehood. Therefore, in the second half of 1919, the system of orientations for foreign policy changed again. The Ukrainian People's Republic was forced to approach Poland, which became its only ally in December 1919 and patronized the government and army to continue the struggle with the Bolshevik Russia. The restoration of the UPR led by the Directorate almost coincided with the formation of the Western Ukrainian People's Republic. The formation of an independent Western state was welcomed in the Dnipro region, and the Galician armed struggle against the Polish invasion caused a wide wave of feedback and appeals to give them all support.

The UPR mission at the Paris Peace Conference headed by G. Sidorenko provided the most active diplomatic assistance of the WUPR. They arrived in Paris without an official invitation, as they were not recognized by the participants of the conference, but due to the fact that the problem of Eastern Galicia was considered, the delegates of the UPR managed to participate in discussions with the participation of the heads of great powers and to stand up for the independence of the WUPR and above all with the requirements of the termination of the Polish-Ukrainian war. Summing up the gains and losses from the Warsaw Treaty of 1920, it should be noted that it was short-lived and collapsed under the influence of significant adverse, first of all, foreign policy factors. As a result of the negative attitude towards Entente in Ukraine during the Polish-Ukrainian War of 1918-1919, in which the UPR supported the WUPR, and Entente - Poland [23], the ambiguous attitude towards the establishment of a close alliance of political groups of both countries, while fighting against the common enemy - the Bolshevik Russia -, the treaty was concluded with great delay.

The Riga Treaty and the end of the Polish-Soviet War became a defeat of the national liberation struggle of Ukraine. Before Riga, Poland was interested in the presence of the Allied Ukrainian army on its territory. They exercised control over the UPR army and could count on its use in case of need against Moscow, but after the signing of the Treaty of Riga, the necessity of keeping the Army of the UPR was abandoned. Later, Petliura wrote that the treaty concluded by the Government of Poland with the government of the UPR on April 21, 1920 was canceled by the fact of signing an agreement with Moscow in Riga. Warsaw has overturned the importance of the Ukrainian factor in its eastern policy system.

### **Conclusions.**

Therefore, while in extremely unfavorable conditions, sometimes in hostile environments, representing an unrecognized state, Ukrainian diplomats did everything possible to stop Polish aggression and preserve state sovereignty. The positive consequence of their activities was to bring the eastern problem to a high international level, refute the stereotypes created by the Poles against the Ukrainian people, and receive the right to self-determination from the heads of the leading powers of the world. Ukrainian diplomats have discovered a sense of national dignity, patriotism and selflessness in defending the independence of their state. The states of the Entente in Paris clearly had a negative attitude towards the formation of independent states in the former territory of Russia, in particular Ukrainian ones. The Eastern problem was the only thing in which the Paris Conference officially had diplomatic relations with the Ukrainian delegation. In the search for support the Ukrainian delegation, first of all, relied on the president of the United States, their hopes were based not only on the declarations of the president, but also on the active activities of the overseas diaspora.

In the early 1920s, the Galician problem continued to be considered at various forums around the world. Through trips of Ukrainian missions, appeals and memorandums to the Entente countries, the League of Nations and international forums for the restoration of independence and appeals of the occupation regime in Galicia, Ukrainian diplomacy has constantly attracted the attention of the world community to the eastern problem. On November 28, 1920, Galician delegation headed by E. Petrushevich arrived in Geneva at the conference of the League of Nations. Consequently, the foreign-policy activities were wide-ranging, with clear key performance indicators and consistently pursued the only objective - the restoration of Ukrainian statehood. Their failure was the result of objective factors that were created in the geopolitical space under the influence of powerful states, especially the Entente, who were not interested in the existence of an independent Ukraine.

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## **STRATEGIC ANALYSIS OF INTRODUCTION OF INNOVATIVE ASSESSMENT METHODS FOR AGRICULTURAL ENTERPRISES WORKFORCE**

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**Abstract.** *The research carried out a comprehensive strategic analysis of the possibilities of introducing an innovative system of assessment and motivation of personnel at agricultural enterprises. Based on the strategic analysis of external and internal factors of influence on the basis of PESTLID-analysis and SWOT-analysis, it has been established that at present there are positive trends and prerequisites for the introduction of innovative methods of assessment and motivation of agricultural enterprises. At the same time, factors that slow down these processes and identify the main causes of the delay are substantiated. Based on the GAP analysis, there are gaps in strategic planning processes at different agricultural enterprises. The paper identifies the reasons for the existence of gaps between different categories of enterprises. The perspectives of introduction of innovative methods of estimation and motivation of the personnel are grounded.*

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**JEL Classification: J33, Q12**

### **Introduction.**

A detailed plan shall be made before the introduction of radical changes at the enterprises. It is necessary to develop a strategic and tactical plan of transformations in order to provide for efficient outcomes of changes. Before these plans are developed, it is important to conduct a comprehensive strategic analysis of the research target. Currently, theory and practice of strategic management is rich with different methods of analysis of enterprise strategic potential. They include PEST analysis, SWOT analysis SPACE analysis; GAP analysis; LOTS analysis; PIMS analysis; facility profile study; GE/MsKinsey analysis; BCG matrix; balanced scorecard, industrial organization framework; life cycle analysis; strategic group mapping; Shell/DPM matrix; ETOP analysis; ABC analysis; enterprise vulnerability analysis; data clustering; and benchmarking [1–12]. After a thorough study of the most widespread strategic analysis methods and taking into account the peculiarity of the research target, we considered the following methods to be most adequate for a detailed and comprehensive assessment of potential introduction of necessary changes at agricultural enterprises:

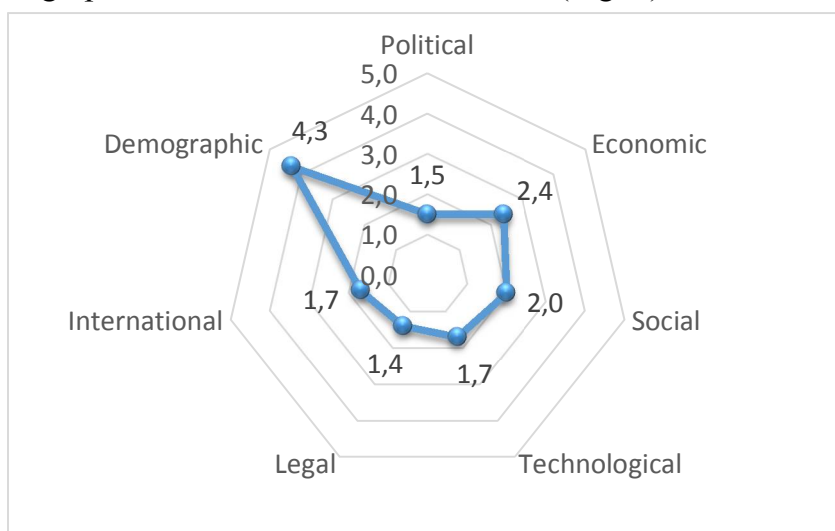


- 1) PESTLID analysis, for comprehensive assessment of external impact on the research target;
- 2) SWOT analysis, for system assessment of external and internal impacts on the research target;
- 3) GAP analysis of gaps in the main research target factors.

### **1. PESTLID analysis of the external impact on the efficient agricultural enterprise employees' assessment and engagement system.**

The first stage of strategic analysis of potential introduction of an efficient employees' assessment and engagement system is PESTLID analysis. It is an advanced type of PEST analysis encompassing the study of the main external impacts (political, economic, social, cultural, and technological), as well as legal, international and demographic factors. Such an approach is applied considering the peculiarity of the research. We developed an expert survey in order to conduct an unbiased PESTLID analysis of the external impact on the efficient agricultural enterprise employees' assessment and engagement system. PESTLID analysis implied the expert study engaging 184 respondents, 85 % of them represented by managers of different organizations, agricultural economics and management scientists, students and graduates majoring in management, i.e., experts with fundamental knowledge and expertise in the issues under research.

The research encompassed main factor groups which can potentially impact the efficiency of development and introduction of strategy for improved efficiency of agricultural workforce management in light of advanced employees' assessment and engagement. Such groups include political, economic, social, technological, legal, international and demographic factors. Results of the conducted PESTLID analysis expert survey can be found in Table 1. The obtained results of PESTLID analysis revealed that the most important external impacts on the internal employees' assessment and engagement system include demographic, economic and social factors (Fig. 1).



**Fig. 1. Strategic analysis of the external impact on the agricultural enterprise employees' assessment and engagement system**

*\*Source: the expert survey*

**Table 1. Results of PESTLID analysis of the external impact on the efficient agricultural enterprise employees' assessment and engagement system**

		Factor	Impact level (0–1.0)	Feasibility (1–5)	Weighted estimate
<b>P – Political</b>	1	Favorable changes in political relations of Ukraine and neighboring countries	0.2	2	0.4
	2	Favorable changes in situation in Eastern Ukraine, and end of Anti-Terrorist Operation	0.2	2	0.4
	3	Favorable political reforms in employment and pension system	0.3	1	0.3
	4	Positive impacts of power decentralization for united territorial communities' life standards improvement	0.2	2	0.4
	5	Amendment of labor law	0.1	1	0.1
		<b>Political factors impact level</b>	<b>1.00</b>	<b>X</b>	<b>1.5</b>
<b>E – Economic</b>	1	Enlivening of economic activity and increasing of employment rates	0.2	2	0.4
	2	Spreading of entrepreneurship and job growth	0.2	3	0.6
	3	Reporting real salaries	0.1	2	0.2
	4	Increase of minimum and average wages	0.2	4	0.8
	5	Enlivening of enterprise rates and cooperation	0.1	1	0.1
	6	Increase of real wages	0.3	1	0.3
		<b>Economic factors impact level</b>	<b>1.00</b>	<b>X</b>	<b>2.4</b>
<b>S – Social</b>	1	Spreading of social security	0.2	2	0.4
	2	Increase of income from various activities	0.4	2	0.8
	3	Increase of social and economic culture of population in terms of entrepreneurship, particularly, for youth in rural areas	0.2	2	0.4
	4	Provision of soft infrastructure (kindergartens, medical institutions, social and cultural institutions, urban amenities, dwelling, etc.)	0.2	2	0.4
		<b>Social factors impact level</b>	<b>1.00</b>	<b>X</b>	<b>2.0</b>
<b>T – Technological</b>	1	Increase of capital/labor ratio in agriculture	0.2	1	0.2
	2	Introduction of innovative (automated) production technologies in agriculture	0.3	2	0.6
	3	Presence of natural and climatic conditions for agricultural growth in certain regions	0.2	3	0.6
	4	More complete use of production capacities by agricultural companies	0.3	1	0.3
		<b>Technological factors impact level</b>	<b>1.00</b>	<b>X</b>	<b>1.7</b>
<b>L – Legal</b>	1	Pension reform legislative amendment	0.3	2	0.6
	2	Employment management regulations amendment	0.1	1	0.2
	3	Elimination of bureaucratic complexities of setting-up and running a business	0.3	1	0.3
	4	Adopting regulations to facilitate business development	0.3	1	0.3
		<b>Legal factors impact level</b>	<b>1.00</b>	<b>X</b>	<b>1.4</b>
<b>I – International</b>	1	Signing of the economic part of the Ukraine–European Union Association Agreement	0.3	1	0.3
	2	Change of immigration trends	0.3	2	0.6
	3	Increased investment into agriculture, particularly, increased foreign investment and establishing of joint ventures	0.2	2	0.4
	4	Development of foreign trade relations of agricultural companies	0.2	2	0.4
		<b>International cooperation impact level</b>	<b>1.00</b>	<b>X</b>	<b>1.7</b>
<b>D – Demographic</b>	1	Spreading of urbanization	0.3	4	1.2
	2	Spreading of inter-region migration	0.1	3	0.3
	3	Spreading of ageing of rural residents	0.2	4	0.8
	4	Spreading of negative rural demographic trends	0.4	5	2.0
		<b>Demographic factors impact level</b>	<b>1.00</b>	<b>X</b>	<b>4.3</b>

\*Source: the expert survey

Certain generalizations can be made and conclusions drawn based on data in Table 1 and Figure 1.

1. Demographic, economic and social factors represent the essential groups of factors impacting agricultural enterprise employees' assessment and engagement system. It is caused by negative urbanization trends, migration, low life standards in rural areas forcing more ambitious employees to move to cities or abroad in search of better labor conditions. Strategically, such trends are negative as they make it difficult or impossible to provide for high workforce productivity having the majority of low-qualification workforce. At the same time, last years revealed a trend towards moving abroad for youth (students), including residents of cities. It complicates the situation even more gravely as this is the view of changes by the new generation which allows introducing efficient changes in workforce management.

2. Currently, the experts claim political and legal factors to be the least important in terms of impact. First of all, it relates to the fact that as population faces complicated social and economic state, amendment of labor law will not significantly impact the short-term view of labor. The course of last years proves it: significant changes of pension regulations could not facilitate reporting of real salaries as the population is eager to take risks even for small wages.

3. The conducted strategic analysis of external impact on improvement of agricultural enterprise employees' assessment and engagement system revealed a range of issues. Hence, introduction of innovations into labor management will be a complex and ambiguous process. It is hard to secure high external engagement when internal motivation is almost zero.

## **2. SWOT analysis matrix of agricultural enterprise employees' assessment and engagement system.**

For a comprehensive strategic analysis of the research target, apart from external factors we also analyzed internal aspects of agricultural companies and methods of impacting or changing them. SWOT analysis was used for a detailed internal impact study (Table 2). Data in Table 2 and additional scientific studies allow making the following conclusions:

1) strengths and weaknesses analysis of current agricultural companies allows alleging that currently there are more internal obstacles and drawbacks disabling a rapid introduction of strategic changes in workforce management;

2) employees' assessment and engagement are almost absent at current agricultural companies of the region in question, which makes it difficult to rapidly acquire new experience;

3) opportunities and threats analysis of the research target revealed that external obstacles are significantly larger than opportunities, i.e., there are more external hindrances to introduction of efficient employees' assessment and engagement systems than opportunities for it.

**Table 2. SWOT analysis matrix of agricultural enterprise employees' assessment and engagement system**

<b>S – STRENGTHS</b>	<b>W – WEAKNESSES</b>
<p>1) availability of experienced agricultural employees;</p> <p>2) availability of agricultural vocational educational establishments;</p> <p>3) availability of potential agricultural enterprise employees (unemployed but economically active);</p> <p>4) availability of higher educational establishments offering management courses and studying of up-to-date methods of employees' assessment and engagement;</p> <p>5) experience of application of innovative methods of employees' assessment and engagement in other spheres (particularly, IT)</p>	<p>1) low number of administrative workforce in agriculture knowledgeable of innovative methods of employees assessment and engagement;</p> <p>2) low wages in agriculture;</p> <p>3) low, at times zero internal motivation of employees;</p> <p>4) absence of positive experience at domestic agricultural companies in terms of efficient methods of employees' assessment and engagement;</p> <p>5) workforce unwillingness and reluctance to apply up-to-date methods of employees' assessment;</p> <p>6) low workforce productivity at agricultural companies;</p> <p>7) low level of organization and management culture at agricultural companies;</p> <p>8) absence of detailed and efficient reference methods of employees' assessment and engagement at domestic agricultural companies</p>
<b>O – OPPORTUNITIES:</b>	<b>T – THREATS:</b>
<p>1) opportunity to adopt experience of employees' assessment and engagement system introduction from other fields;</p> <p>2) opportunity to increase workforce productivity at agricultural companies;</p> <p>3) currently unprocessed land enables to increase the production capacity of agricultural companies and to offer new jobs;</p> <p>4) opportunity to facilitate the establishment of joint agricultural companies with foreign investments using the innovation workforce management experience;</p> <p>5) spreading of business consulting services for HR managers at agricultural companies;</p> <p>6) engaging more directions and activity of foreign trade of agricultural facilities</p>	<p>1) persistence of negative immigration trends will lead to drain of efficient employees;</p> <p>2) persistence of negative demographic trends (urbanization, ageing of population) will cause a deficit of qualified workforce in rural areas;</p> <p>3) absence of prestige related to work in agriculture leads to hiring of low-qualification employees;</p> <p>4) high competition of other large agricultural businesses (with foreign investments and agricultural holdings) can lead to bankruptcy or deterioration of financial condition of small agricultural facilities;</p> <p>5) low possibility of introduction of efficient employees' assessment and engagement system at small agricultural companies;</p> <p>6) resistance of agricultural business employees to labor management amendments;</p> <p>7) manufacturing of products non-competitive at the foreign market, which will decelerate the foreign trade operations;</p> <p>8) spreading of inflation processes in the country negatively impacting the financial condition of agricultural companies</p>

*\* Developed by author*

Thus, the conducted SWOT analysis of opportunities to introduce innovative methods of agricultural enterprise employees' assessment and engagement reveals that number of negative factors is larger than the positive ones both in terms of internal and external environment.

We conducted a comprehensive analysis of external opportunities and threats in order to assess the priority level and impact level on the prospects of strategic changes in agricultural business workforce management (see Table 3 and Table 4).

**Table 3. Matrix of assessment of high-priority opportunities to introduce an efficient agricultural enterprise employees' assessment and engagement system**

Probability of opportunity use	Level of opportunity impact		
	Significant	Medium	Low
<b>High</b>	<b>HS field:</b> opportunity to adopt experience of employees' assessment and engagement system introduction from other fields	<b>HM field:</b> opportunity to increase workforce productivity at agricultural companies	<b>HL field:</b> -
<b>Average</b>	<b>AS field:</b> opportunity to facilitate the establishment of joint agricultural companies with foreign investments using the innovation workforce management experience	<b>AM field:</b> currently unprocessed land enables to increase the production capacity of agricultural companies and to offer new jobs	<b>AL field:</b> -
<b>Low</b>	<b>HL field:</b> spreading of business consulting services for HR managers at agricultural companies	<b>AL field:</b> engaging more directions and activity of foreign trade of agricultural facilities	<b>LL field:</b> -

*\* Developed by author*

Data from Table 3 allows defining the priority level of all the revealed opportunities of improvement of the agricultural enterprise employees' assessment and engagement system. According to Table 3, all the external opportunities have a high or average impact, i.e., the previous SWOT analysis defined only the most significant impacts, which confirms that the assessment conducted is reliable.

During development of a strategy for improvement of agricultural enterprise employees' assessment and engagement system, one shall first of all consider the three opportunities with the largest impact on the research target, and second of all, the factors of average impact. At the same time, it is important to take into account the top-priority strategic tasks of opportunities with low probability, particularly, spreading of business consulting services for HR managers at agricultural companies and engaging more directions and activity of foreign trade of agricultural facilities. It is these low-probability opportunities that need to be transformed into strengths of agricultural facilities as soon as possible, i.e., to provide a competitive edge.

On the other hand, it is necessary to assess and take into account possible external threats which can have a negative impact on the agricultural companies (Table 4).

**Table 4. Matrix of assessment of threats of introducing an efficient agricultural enterprise employees' assessment and engagement system**

Threat probability	Potential threat impact level		
	Significant	Medium	Low
<b>High</b>	<b>HS field:</b> persistence of negative immigration trends will lead to drain of efficient employees	<b>HM field:</b> absence of prestige related to work in agriculture leads to hiring of low-qualification employees	<b>HL field:</b> resistance of agricultural business employees to labor management amendments
<b>Average</b>	<b>AS field:</b> spreading of inflation processes in the country negatively impacting the financial condition of agricultural companies	<b>AM field:</b> low possibility of introduction of efficient employees' assessment and engagement system at small agricultural companies	<b>AL field:</b> -
<b>Low</b>	<b>HL field:</b> persistence of negative demographic trends (urbanization, ageing of population) will cause a deficit of qualified workforce in rural areas	<b>AL field:</b> manufacturing of products non-competitive at the foreign market, which will decelerate the foreign trade operations	<b>LL field:</b> -

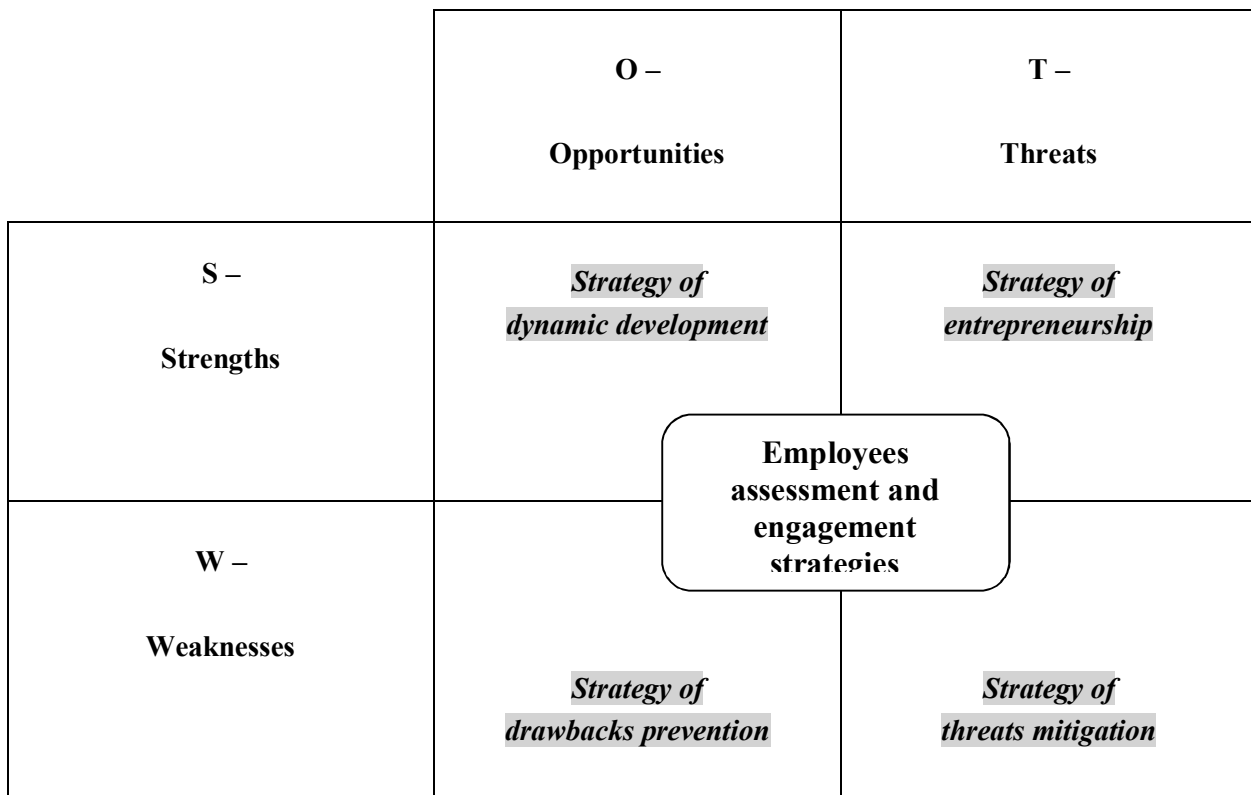
*\* Developed by author*

Data in Table 4 demonstrates the selection of the most important threats at the previous stage of SWOT analysis which can have a negative impact on the strategy of introduction of an efficient employees' assessment and engagement system. Prioritizing of the revealed external threats allows assuming that the most significant impact will be attributed to demographic and migration factors, as well as low wages and absence of prestige related to work in agriculture. Unfortunately, it is almost impossible to eliminate these factors in view of the developed strategy. This is why the top-priority facets can only be considered and not resisted.

Regarding the average and low impact levels and probability of threats, they obviously need to be taken into account for strategy development. Besides, one shall forecast the probability of occurrence and, if possible, prevent the threats and mitigate their negative impact.

Thus, on the second stage of SWOT analysis we prioritized the revealed external opportunities and threats which can have a positive or negative impact on development and introduction of efficient agricultural enterprise employees' assessment and engagement system. This prioritizing allows creating an introduction sequence for certain tasks considering the level of impact and probable widening of certain external factors.

The subsequent third stage of research target SWOT analysis implies rationalization of a strategic set to enhance the strengths and mitigate the weaknesses by means of external activity factors of agricultural companies (Fig. 2).



**Fig. 2. Strategic set for development of an efficient agricultural enterprise employees' assessment and engagement system\***

*\* Developed by author*

According to Fig. 2 and the results of the SWOT analysis conducted, we offer a strategic set to develop an efficient agricultural enterprise employees' assessment and engagement system for four possible development strategies: dynamic development strategy; entrepreneurship strategy; drawbacks prevention strategy; and threats mitigations strategy.

Dynamic development strategy implies active implementation of one of up-to-date development plans by the company. It is introduced to maximize the company's capacity by using all external opportunities and turning them into strengths. Dynamic development strategy encompasses assignment and carrying out the following tasks within the roadmap: clarification of company's vision taking into account the major long-term tasks; assessment and forecasting of company development opportunities; assessment of key success factors of company compared to the competitors and revealing the top-priority ones; combining certain external opportunities with company's strengths; defining detailed tasks of turning the external opportunities into strengths; and providing a competitive edge.

Entrepreneurship strategy implies creation of premises preventing negative external impacts on activities, specifically, company's strengths. This type of strategy implies definition and accomplishing of a range of tasks within the roadmap: external threats analysis and forecasting; prioritizing of the revealed threats using two criteria: probability and impact level; enhancing the current strengths and using them to mitigate potential external threats; and mitigation of negative impact of inevitable threats.

Drawbacks prevention strategy implies focusing on a potential positive impact of opportunities created in the external environment and their application to mitigate the current strengths of a company. This type of strategy can be acquired by underdeveloped companies which take risks to reach a higher level. The main tasks within this strategy include:

- assessment and forecasting possible external impacts on the company;
- prioritizing of the revealed opportunities using two criteria: probability and impact level;
- defining the key success factors of leading companies and close competitors;
- assessment of key factors of company's success and competitor gap analysis using the analyzed indicators;
- establishing relations between potential external opportunities and current weaknesses of the company;
- introduction of tools to eliminate company's weaknesses using external opportunities.

Threats mitigation strategy encompasses company's self-defense against external negative impact by eliminating the current weaknesses. Unlike the previous strategy of eliminating the weaknesses using external opportunities, this strategy implies complete elimination of weaknesses which can be aggravated by external threats. This type of strategy implies definition and accomplishing of a range of tasks within the roadmap: company's external threats assessment and forecasting; prioritizing of the revealed threats using two criteria: probability and impact level; comparing company's weaknesses which can further complicate the company's activities due to external threats; defining the most significant weaknesses in terms of competitor gap; and complete elimination of the revealed dangerous weaknesses of the company (in terms of threats impact).

At the same time, theory and practice of strategic management recommend to introduce maximum two strategies for one research target simultaneously in order to keep them efficient. For this reason, dynamic development strategy and entrepreneurship strategy become the most important ones. It can be explained by current huge gap between the actual agricultural business workforce management level and the desired level or the level of leading companies.



### **3. GAP analysis of the main factors of employees' assessment and engagement system of different companies.**

We conducted a GAP analysis to define and detail the most problematic aspects of strategic development of employees' assessment and engagement system, as well as prerequisites for it.

The main purpose of GAP analysis is analyzing the opportunities of the strategic potential of leading companies. It means that it is important to assess the expertise of the leading companies and to set the upper threshold for improvement during development of a feasible improvement strategy of agricultural enterprise employees' assessment and engagement system.

GAP analysis involved the assessment of six main strategic prerequisites for introduction of changes to improve the research target, specifically:

- 1) company's corporate culture level;
- 2) employees' assessment system;
- 3) employees' engagement system;
- 4) presence and operation of workforce management department;
- 5) presence and operation of human resources department;
- 6) established workforce management strategy.

The factors above were assessed using grades where 1 point was the lowest level of a certain factor and 10 points was the highest level of a certain factor.

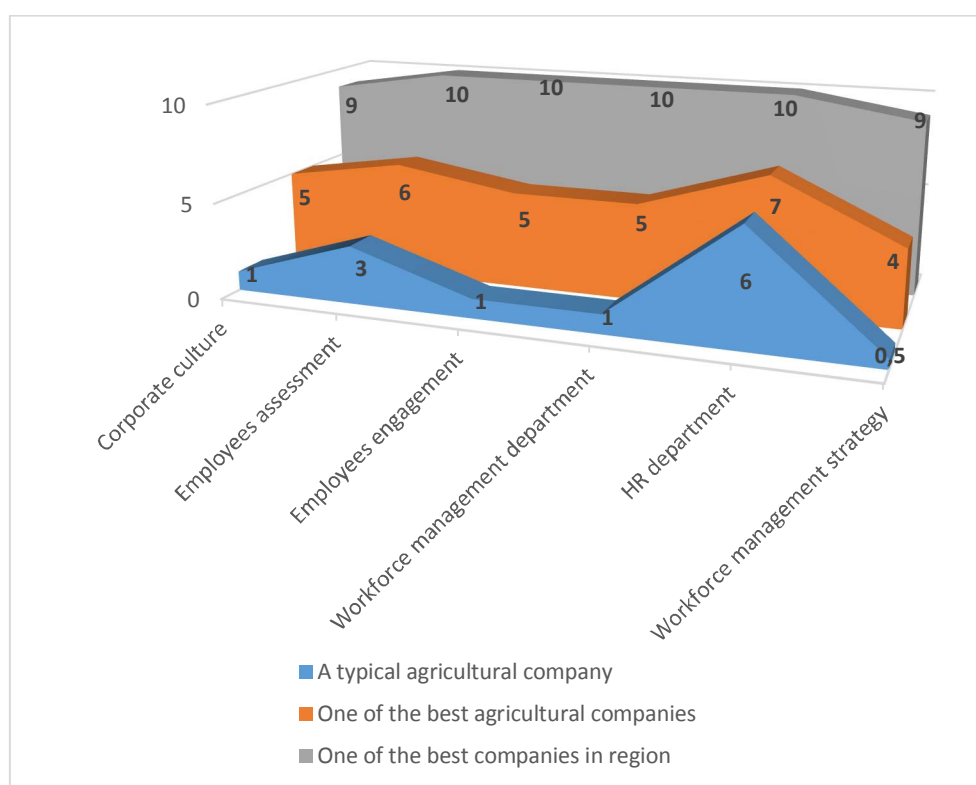
You can find the results of the conducted strategy GAP analysis on Fig. 3.

Data in Fig. 3 allow drawing certain conclusions:

- 1) a typical agricultural company falls significantly behind the best companies in the field and the best companies in region for all the analyzed indicators of GAP analysis;
- 2) there is a significant gap between a typical and the best agricultural company in the region, which evidences basic prerequisites of varying workforce productivity, thus, production efficiency at such companies;
- 3) a typical company is the last for the majority of the analyzed indicators, which evidences almost complete lack of this factor at the analyzed company;
- 4) if such gaps between typical and the best companies persist, conditions of the former will keep deteriorating and possibly disable competition in agriculture.

To systematize the GAP analysis conducted, we added a fishbone diagram, specifically, to determine a reason for and occurrence of strategic gaps.

A fishbone diagram enables a demonstrative analysis of reasons for gaps within certain assessment indicators. Continuing to analyze the criteria of GAP analysis, we defined reasons for problems within the same six assessment criteria: company's corporate culture level; employees assessment system; employees engagement system; presence and operation of workforce management department; presence and operation of human resources department; and established workforce management strategy (Fig. 3).



**Fig. 3. GAP analysis of the main factors of employees' assessment and engagement system of different companies\***

*\* Developed by author*

Fig. 3 shows that the main reasons for gaps between typical and best agricultural companies include:

- 1) absence of necessary strategic planning and workforce management knowledge and skills (specifically, in terms of assessment and motivation);
- 2) absence of awareness of the need to develop and introduce an efficient employees' assessment and engagement system at the enterprise;
- 3) lack of sufficient funds to introduce progressive changes; and
- 4) low organization (corporate) culture level of employees, lack of interest in strategic changes.

### **Conclusions.**

Thus, the conducted fishbone diagram-based analysis shows that the defined GAP reasons are not complicated, can be solved in short time and shall be considered during development of strategic and tactical plans for the company.

Summarizing the conducted strategic analysis of the potential of current agricultural companies in view of opportunities to introduce innovative employees' assessment methods, we have highlighted the most problematic aspects and prospects of development and introduction of an innovative assessment and engagement system for research targets. The obtained strategic analysis results refer to agricultural companies in Ukraine and can be used by various companies in this field.

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## **THE NEED FOR RESTRUCTURING AND THE PROSPECTS FOR THE DEVELOPMENT OF NATURAL GEOGRAPHY IN UKRAINIAN HIGHER EDUCATION INSTITUTIONS**

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**Abstract.** *The problem of formation of a new discipline in higher education institutions (HEIs) of Ukraine namely «Natural Geography of Ukraine» is considered, and its structure, which consists of physical, historical and anthropogenic geography, is substantiated. It is noted that physical geography is not only a component of natural geography, but also the basis for further development of historical and anthropogenic geography. The interdependence and interrelation between natural and landscape geography are shown, and the fields of study of both disciplines within the environment studies are determined. It is recommended to implement the «Natural Geography of Ukraine» course during the following three semesters: IV semester (2th year) – physical, V semester (3th year) – historical, VI semester (3th year.) – anthropogenic geography. The article also discusses the advantages of the «Natural Geography of Ukraine» course over the «Physical Geography of Ukraine» course currently offered by HEIs.*

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**JEL Classification: I 200, I 210, I 290**

### **Introduction.**

In the second decade of the twentieth century, it became clear to the geographers of Ukraine that the modern destabilized natural environment is characterized by the abnormally rapid changes in the structural organization of geo-components and landscape complexes and the links between them [3].

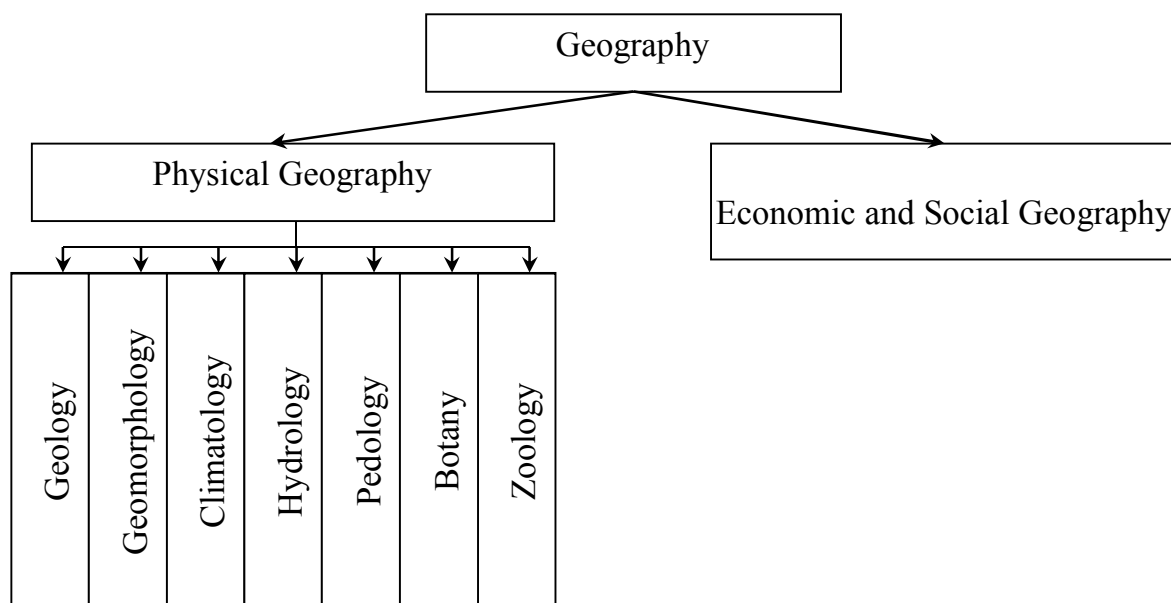
This requires a substantial revision of the essence and structure of the fundamental geographic subjects in the higher education institutions (HEIs), such as «Physical Geography of Ukraine» and «Physical Geography of Continents and Oceans». Not only the names of these subjects need to be changed, but also their essence, structure and process of studying geography require reevaluation. The concept of «Natural Geography» i.e. its understanding, its usage in naming academic disciplines, books, and teaching guides as well as in theory and practice of geographers, gradually becomes popular; however, it is interpreted ambiguously. Generally, natural geography is considered an analogue of physical geography. With such understanding, it becomes a replacement of one concept with another. The concept of «Natural Geography» is broader than «Physical Geography», which is considered a part of the discipline. Currently, there are very few natural-geographical educational books and teaching guides in Ukraine. Generally, the preference is given to physical-geographical or anthropogenic texts. In 1998, the first regional textbook «Natural Geography of Podillia» was published [2]. Its introduction stated: «traditionally, this guide book could have been called «Physical Geography of Podillia» as such title would not raise any questions; however, it would not be correct» [2, p. 10]. The study book «Physical Geography of Ukraine» by O.M. Marynych and P.G. Shyshchenko partially introduces the natural-geographical perspective [5], as it pays attention to the anthropogenic transformation of the nature of Ukraine. There are also no natural geography textbooks for school geography.

As a result, it is time to consider the advantages and opportunities of introducing the «Natural Geography of Ukraine» course into the educational process of higher education institutions, as well as to provide the structure and to discuss the prospects for its development.

### **1. Structure. Place of natural geography in the educational process and the issues of its development**

Traditionally, geography is divided into two components: physical and socio-economic. The basis for their development is a number of branch sciences (fig. 1).

For a long time we strictly adhered to this separation. Even now, this is confirmed by the scientific works of some Ukrainian physical geographers. Humans as a component of nature and human economic activity were not included in the process of physical-geographical research. It is no coincidence that the main monographs, textbooks and guide books on physical geography of Ukraine provide the description of nature without considering its actual, current state, instead describing its original or natural state. As noted elsewhere [2, 3], the term «physical (from the Greek *physikos* – natural, in the sense of original) geography» was first introduced in the Ukrainian geographic literature by P.I. Brown [1] and is widely used, but the term is ambiguous and often misinterpreted. Physical geography is a science that studies geographic sphere and its landscape complexes in their natural state.

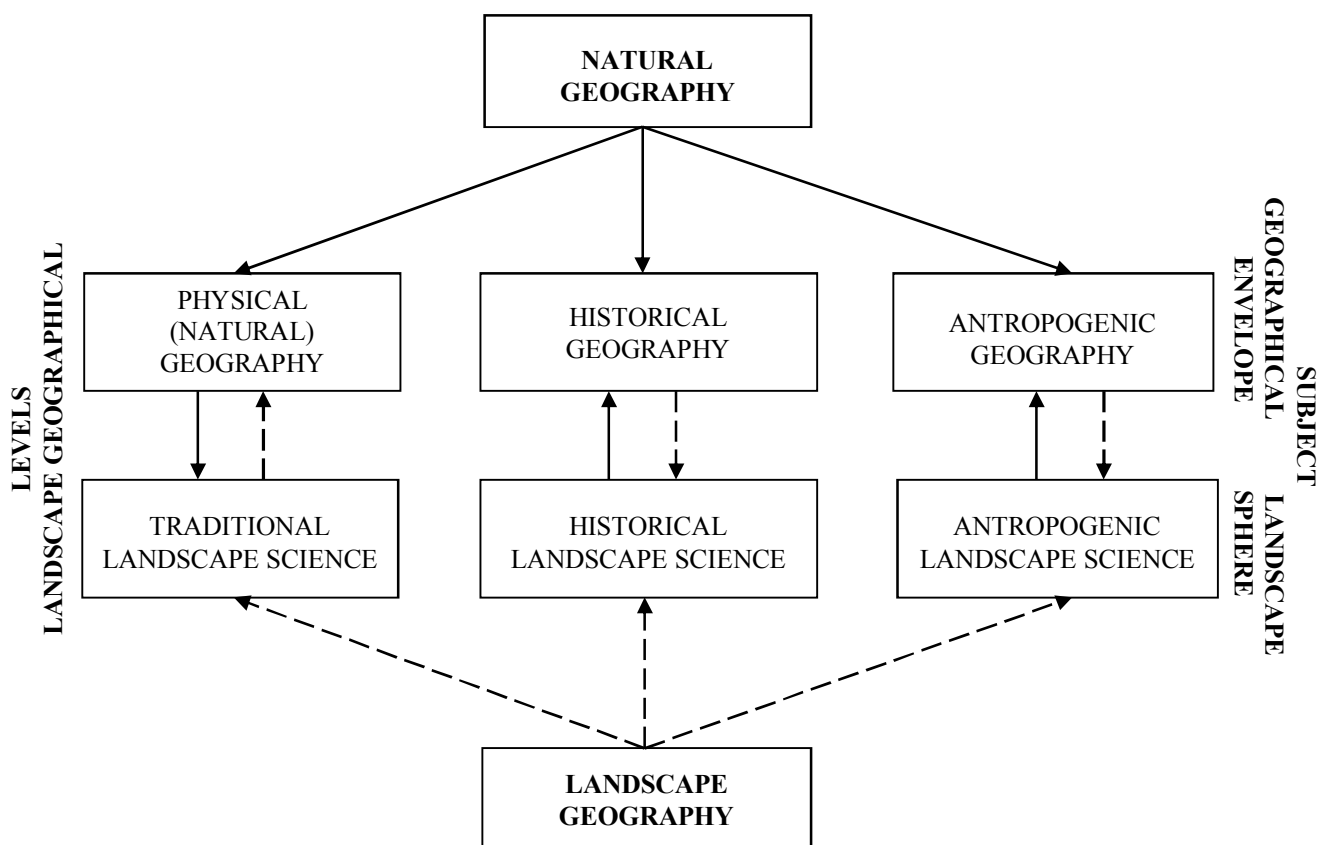


**Fig. 1. The traditional division of geography and basic branch sciences of physical geography**

For thousands of years, people not only changed the natural geo-components and landscape complexes, but also radically rebuilt them, and sometimes changed the « the form» and «the essence» of individual natural regions. Prime examples in Ukraine are Donbass, Kryvbas, Tovtry of Podillia and others. Geographical, landscape, ecological and other issues, however, cannot be addressed from the standpoint of physical geography alone. It becomes obvious that physical geography, in its classical sense, is not capable and it cannot act as a leading science studying current natural environment. Natural geography can accomplish such a mission today as it is a science that consistently explores natural geo-components of the Earth or its individual regions starting with their natural state, through the history of economic development to current anthropogenic development. Thus, the subject matter for natural geography includes not only the study of natural geo-components, but also the history and the economic use of natural resources, and the current state of geo-components of individual regions and the Earth as a whole.

The natural geography structure is more complicated than physical geography. Physical geography is a component of natural one. In addition to it, natural geography combines historical and anthropogenic geography (Fig. 2). They are closely interconnected and complement each other.

However, physical geography has a special status. It represents the «natural» basis of natural geography and studies the components that were not radically changed by humans. The history of the economic development of the components and the formation of their modern features are considered by historical geography. Anthropogenic geography examines the issues of human influence on the nature, its individual components.



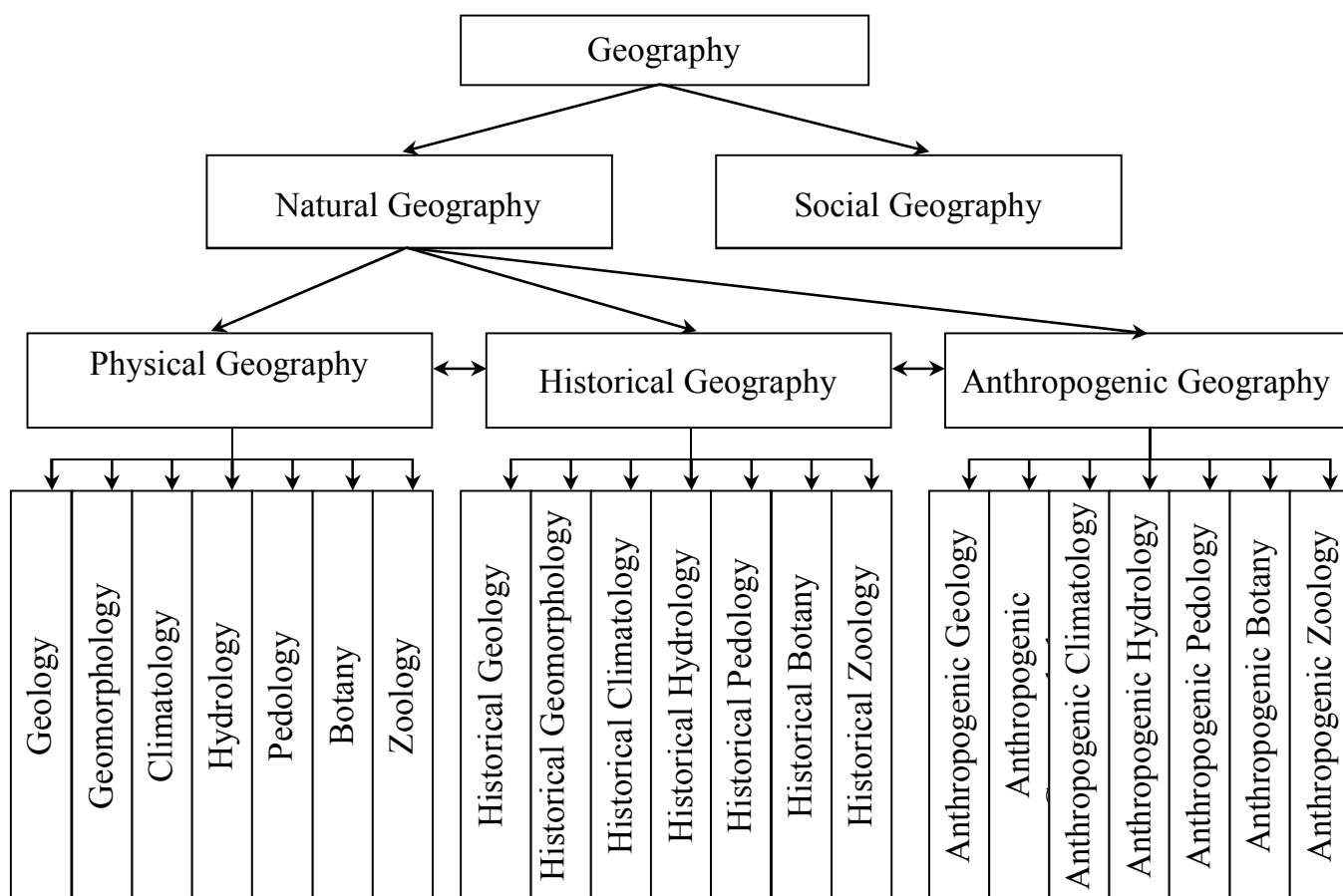
**Fig. 2. Structure, levels of cognition and the subject of studying Natural and Landscape Geography**

Physical, historical and anthropogenic geography have their objects, subjects, and research methods. The aims and historical-geographical approach in the study of natural components are connecting the above disciplines.

The active development of both natural geography and related sciences require paying more attention to these disciplines in higher education institutions and schools. In HEIs of Ukraine physical geography, as a discipline that does not represent the essence of modern geography, and must be replaced by natural geography. In the structure of natural geography, the physical, historical and anthropogenic geographies, complement each other and provide a holistic view of development and actual state of the current natural environment in Ukraine (Fig. 3).

In HEIs of Ukraine Natural Geography is recommended for study in the following three semesters: the IV semester of the second year – physical geography; V semester of the third year – historical geography; VI semester of the third year – anthropogenic geography.

This also applies to Landscape Geography, but in the following semester: V semester of the III course – natural (classical) landscape studies; VI semester of the III course – historical and VII semester of the IV course – Anthropogenic Landscape Sciences (Fig. 4).



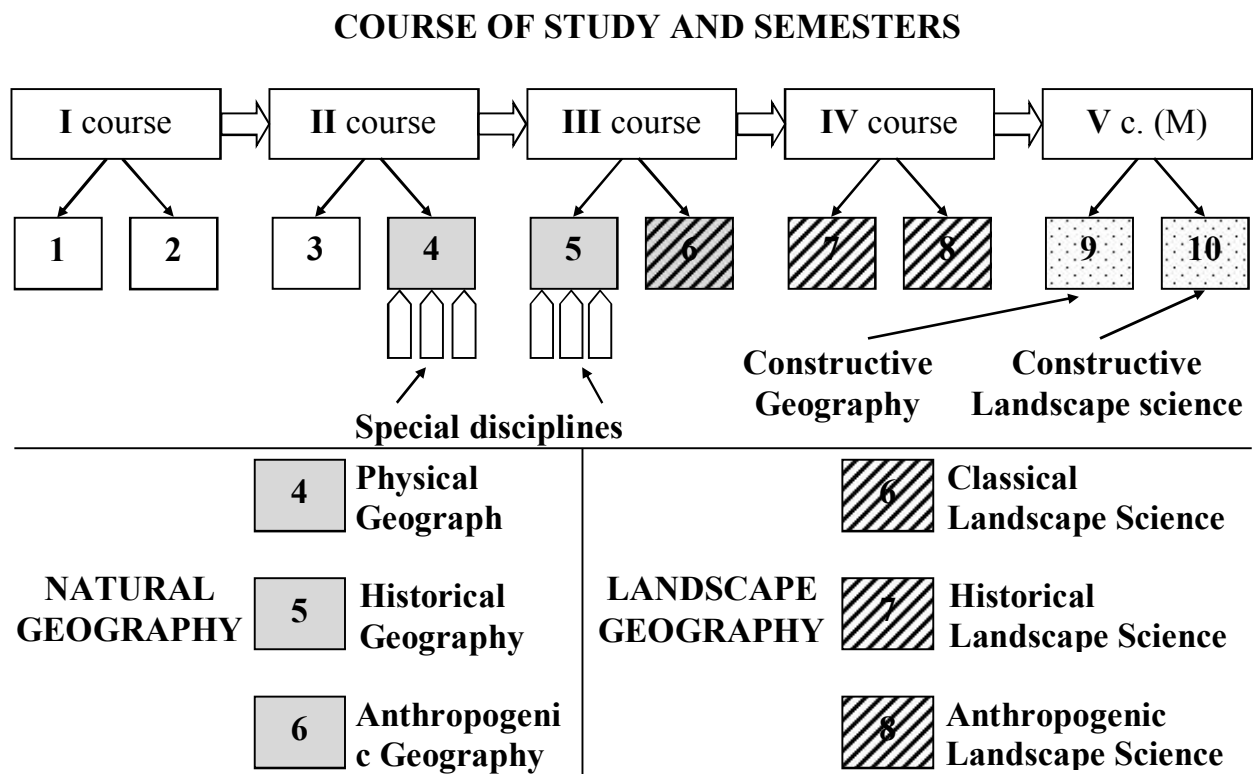
**Fig. 3. Geography, Natural geography and basic sciences that form Geography**

The replacement of physical geography with the natural geography is not a development of scientists, but a demand of time. What are the benefits? Compared to physical geography, natural geography:

- expands and deepens the study of nature in its current state;
- diversifies the object and subject of research i.e. natural – historical – anthropogenic nature;
- clearly defines the structure of natural geography i.e. the role of physical, historical and anthropogenic geography;
- the study of any region from its natural state, through the history of economic development to current state, makes it possible to understand its development at the beginning of the XXI century and allows to stabilize undesirable natural and, partly, social processes with minimal efforts;
- the results of natural-geographic research are providing the best basis for predicting the development of the environment in the future.

It is clear that in the process of changing the «Physical Geography of Ukraine» course to the «Natural geography of Ukraine» course, there will be issues. Teaching methods in physical geography of Ukraine have long been established and there are good textbooks for this course. In the future, more attention will have to be paid to the preparation of textbooks on historical (partially existing) and anthropogenic geography.





**Fig. 4. Natural Geography of Ukraine in the educational process of HEI**

Anthropogenic geography requires special attention of geographers-naturalists. This is due to lack of development and understanding of certain theoretical problems in the development of anthropogenic geography. The theory has always been the «heart» of scientific knowledge. It makes the practice scientifically grounded and focused. In order to achieve this, the scientist must possess the «ability to connect» (O. Gumboldt) individual phenomena into a holistic system. Let's try from this point of view to consider some modern problems in development of anthropogenic geography:

– *methodological*. This group of issues is the result of the insufficient consideration to the developments of scientific concepts, for example, the concept of interaction between society and nature, the closely interconnected components of a geographic sphere that dynamically develop in space and time. The application of this and other [1, 4] concepts is necessary for isolating and substantiating of stages, processes and regularities of the development of natural geography, which will enable to correctly understand the «spiral» of the development of anthropogenic geography, and to distinguish its «levels» at the «top» of the current functioning of natural geography. It is also interesting to explore the methodological issues of the further development of natural sciences, and within its structure of anthropogenic geography, the emergence of new sciences, in particular constructive geography, which logically develops on the basis of anthropogenic, the classification of existing and new sciences of the family natural sciences, the determination of the object their study, goals and objectives;

– *scientific and theoretical*. These refer to problems of space and time in which anthropogenic geography develops. The issue of time should be considered in three aspects: anthropogenic geography as the result of the consistent development of natural geography, the internal patterns of time development (stages, processes) of anthropogenic geography and the development of its branch sciences.

Anthropogenic geography understanding of space presupposes the definition of its boundaries, form, integrity and differentiation, structure, specificity, isolation of the leading factors of development in the field of anthropogenic geography and its components; opportunities and volumes of further research, as well as a comprehensive assessment of anthropogenic nature in general and its individual components for the purpose of rational use, transformation and protection;

– *methodical*. The complexity of the geographic sphere, in particular due to the processes of its anthropogenization, requires a variety of research methods. There is an issue of the rational use of existing ones (it is now prevalent) and the development of new methods for researching the anthropogenized environment in general, its anthropogenic or re-created geo-components. This issue involves the systematization and classification of methods, the search for their optimal correlation in the process of knowledge of anthropogenic nature. Particular attention needs to be paid to the issue of restoring somewhat forgotten and adapting to modern conditions as well as developing new methods of expeditionary, stationary and experimental-laboratory studies, methods for assessing contemporary natural conditions, modeling and anthropogenic-geographical forecasting;

– *practical*: include issues, the solution of which allows to introduce into practice the results of theoretical studies in the field of anthropogenic geography. This concerns integrated inventories of natural resources involved or newly created in the process of human economic activity, in particular in Ukraine and its regions – natural, economic, administrative; participation in the development of national and regional schemes for integrated nature management.

Issues that are being developed by branch sciences of anthropogenic geography will continue existing and will be no less complicated. An example of this is agrogeography, a study, assessment, typology of lands, development of scientific foundations for improving the culture and productivity of agriculture. New vision requires solving issues of forecasting possible changes of anthropogenized nature, in Ukraine as a whole, as well as its regions, under the influence of further anthropogenic pressures; modeling issues and creation of comfortable anthropogenized environment for human activity;

– *organizational*. The priority is to solve the issue of creating an advanced material and technical base of geographical (physical, historical, anthropogenic) research: reorganization of the structure of existing and creation of new research centers and institutions of comprehensive study of anthropogenized nature. Regarding geographical stationary scientific bases, the most appropriate option for now is the creation of 2-3

geographical central scientific bases and several auxiliary within each natural-economic zone. Major zones are the West, Center and East; auxiliary ones are in areas of greatest anthropogenic loads or unique natural areas. The main geographic centers work according to the state program, the auxiliary centers function according to the regional one.

In the organizational issues group, it is important to establish a state center for coordination of all research of anthropogenic nature and implementing its results into practice; the creation of a public service of geo-engineers who will direct and control the planning and implementation of environmental processes in any region. Hence the solution of another issue i.e. recognition and introduction of anthropogenic geography in higher education institutions, increasing the level of training of geographers-naturalists;

– *popularization*. Popularization of anthropogenic geography achievements among people, especially young people. This is not only a presentation of research results of the modern, mainly anthropogenic nature in the media, but also the creation of ingenious popular science, accessible and clearly written brochure series about nature, population and economy of individual villages, districts, regions, historical and geographical regions, and about Ukraine in general. An example of such popular science essays is the «Land of Podillia» series, published by geographers of the Vinnytsia Mykhailo Kotsiubynskyi State Pedagogical University.

## **2. Landscape geography: development problems**

The natural geography is closely interrelated with the landscape geography. Landscape geography is shaped by classical, historical and anthropogenic landscape studies. Classical landscape sciences explore natural or radically unchanged landscape complexes. The features of their economic development during the history of the development of society are studied by historical landscape studies. Anthropogenic landscape studies explore complexes that were radically changed landscapes i.e. anthropogenic landscapes. Classical, historical and anthropogenic landscape sciences have their objects, objects and methods of research and the historical-landscape approach too, which unites them in achieving the ultimate goal.

The levels of natural and landscape geography differ by degree of development and complexity of knowledge of the natural environment. If the sciences of the geographical level have already undergone a significant path of development, have their own structural sections and branches, then the landscape level, except for classical landscape studies, is at the stage of formation and scientific research. However, at the beginning of XXI century makes it possible to state that historical and anthropogenic landscape science gradually come out of the «shadow» of the classical one. Let's consider it in more detail using the example of the formation of anthropogenic landscape studies. The analysis of diverse conferences and publications published since 2000, individual articles, textbooks and manuals, suggests that among the new trends in the development of modern landscape science initiated in the second half of the XX century (ameliorative landscape science, geophysics of landscapes,

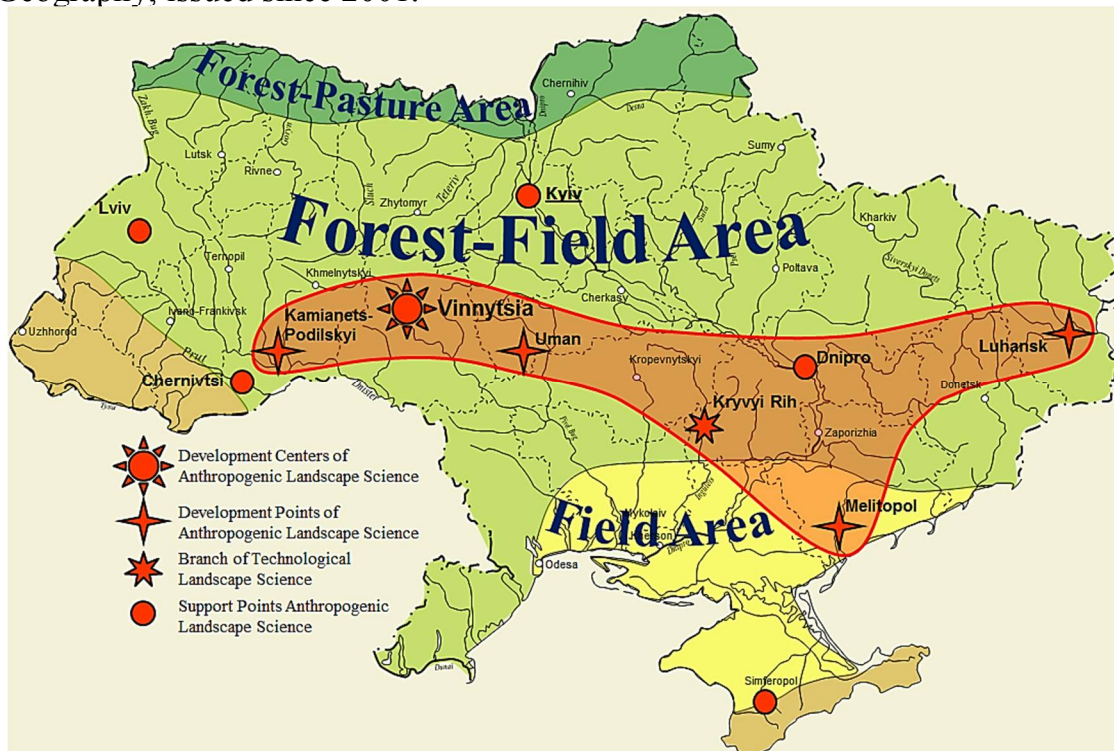
geochemistry of landscapes, landscape ecology and others), anthropogenic landscape science has been developing most dynamically. It is also confirmed in publications devoted to the analysis of the development of landscape science in Ukraine [4, 6].

At the beginning of the second decade of the XXI century, anthropogenic landscape science in Ukraine completed the first stage of its development, the result of which is not only the well-known theoretical work and detailed knowledge of individual classes of anthropogenic landscapes, but also the formation of new perspective directions of the research [4]. This is a much higher level, a new stage in the knowledge of anthropogenic landscapes, the main development of which will happen in the first half of the XXI century. In Ukraine anthropogenic landscape science has been actively developing since the 80s of the XX century thanks to consideration and support of L.I. Voropay (Chernivtsi University), P.G. Shyshchenko (Kyiv University) and G.I. Shvebs (Odessa University). These scientists were the among the first in Ukraine to correctly understand the essence of anthropogenic landscape science and to give young scientists the opportunity to develop it. Later, the active development of anthropogenic landscape science in Ukraine is due to the studies of Vinnytsa geographers – A.V. Gudzewycz, B.D. Panasenko, L.I. Stefankov, V.M. Volovyk, Y.V. Yatsentiuk, L.M. Kyryliuk, O.P. Chyzh, O.M. Valchuk, I.M. Voina, by the original works of Y.G. Tiutiunnyk, V.L. Kazakov, V.S. Davydchuk, as well as interesting publications by V.P. Korzhyk, O.Y. Dmytruk, I.P. Kovalchuk, V.P. Vorovka and others. The work of these scientists, as well as a group of young scientists that will be discussed later, will determine the development of anthropogenic landscape science in Ukraine in the first half of the XXI century.

The Forest-Field Area is a region of detailed research of anthropogenic landscapes of Ukraine is gradually singled out [4]. In this unique structure, the main wealth of Ukraine is concentrated: the population, main types of minerals and fertile soils, industrial enterprises and developed agriculture. For more than 7 thousand years the Forest-Steppe of Ukraine is actively used by humans. Natural landscapes are now completely replaced by anthropogenic landscapes and the processes of anthropogenization of modern landscapes continue to deepen. It is clear that the natural potential Forest-Field of Ukraine is not unlimited. First of all it concerns the productivity of anthropogenic landscapes and their rational use. The rational use of anthropogenic landscapes requires their detailed research, which in turn requires the training of highly skilled specialists in anthropogenic landscape science (fig. 5).

During the past 15 years, this training has been partially implemented at the Department of Physical Geography (now Geography Department) in Natural Sciences and Geography Faculty of Vinnytsia Mykhailo Kotsiubynskyi State Pedagogical University. Now there is a unique training center of anthropogenic landscape science experts who successfully work within the Forest-Field Area of Ukraine. Among them in Vinnitsa: D.Sc. in Geography A.V. Gudzevych, V.M. Volovyk, Candidates of Sciences in Geography L.I. Stefankov, Y.V. Yatsentiuk, O.P. Chyzh, O.V. Valchuk, L.M. Kyryliuk, G.S. Khayetskyi,

I.M. Voina, O.I. Babchynska, A.G. Kiziun, M.O. Shmagelska, V.S. Kansky, L.V. Strachevska, Candidates of Sciences in Geology V.I. Korinnyy, Candidates of Sciences in Agricultural Sciences O.V. Dedov, as well as a number of young scientists V.V. Kanska, O.O. Antoniuk, T.Y. Holkovska, O.V. Ryabokon, O.O. Kvasnevska and others; in Uman: Candidates of Sciences in Geography O.I. Sytnyk, I.V. Kravtsova, O.D. Lavryk, P.D. Kozynska, L.O. Bezlatna, V.S. Berchak, V.A. Chebotarsky (the basis of the future center for the design of anthropogenic landscapes of the Right-Bank Ukraine); in Kryvyi Rih: Candidates of Sciences in Geography S.V. Yarkov, G.M. Zadorozhna, graduate students A.Y. Kylymchuk, E.V. Dvorchuk (the center of technical landscape science is formed, headed by Candidate of Technical Sciences V.L. Kazakov); in Melitopol: D.Sc. in Geography V.P. Vorovka explores anthropogenic paradyamic systems, Candidate of Sciences in Geography S.O. Gryshko – forest anthropogenic landscapes of the Azov coast; in Lugansk landscape-technical systems is studied postgraduate E.V. Dworchuk; in Kamyanets-Podilsky – zoocenoses of anthropogenic landscapes post-graduate S.S. Prydetkevych. The efforts of these and other scientists, pupils of the Vinnytsia Anthropogenic Landscape Science School, complete the detailed study of the anthropogenic landscapes of Podillia (model region) [7], the study of anthropogenic landscapes of the Forest-Field Area of Ukraine, part of the Right-Bank Ukraine and Ukraine as a whole. Anthropogenic landscape studies guidebooks were published as well as a popular science book series «The Land of Podillia». Scientific papers on anthropogenic landscape science are published in Scientific Notes: Mykhailo Kotsiubynskyi State Pedagogical University Series: Geography, issued since 2001.



**Fig. 5. Development Centers of Anthropogenic Landscape Science within the Forest-Field Area and Adjoining Territories of Ukraine**

In the future, the following publication of regional series of monographs is scheduled «Anthropogenic Landscapes of Podillia» (until 2019), «Nature and Landscapes of Podillia» (until 2019), «Anthropogenic Landscapes of the Right-Bank Ukraine» (until 2020) and the popular science series Collections « Land of Podillia» (until 2020). A new series of monographs «Processes and actions in anthropogenic landscapes» has been launched and will be published in the process of collecting material.

For a balanced functioning of landscapes in Ukraine and its regions it is necessary not only to continue the established research, in particular the study of distinct classes of anthropogenic landscapes (agricultural, industrial, forest and water anthropogenic, recreational, etc.), but also to develop new perspective directions of research of modern landscapes. This will be a much higher level of study that will enable to better understand their «deep» essence. To new and prospective directions of exploration of landscapes we refer:

– *the research of paradigmatic and paragenetic interconnections between landscape complexes such as natural and already isolated and partially recognized classes of anthropogenic landscapes*, in particular residential and industrial, residential and road, agricultural and forest anthropogenic, agricultural and road, tafal and residential, and others anthropogenic landscapes. The dynamics of landscapes is one of the least developed sections of landscape science. There are even fewer publications on the dynamics of anthropogenic landscapes;

– *study of the processes of interaction of landscape-engineering and landscape-technogenic systems with the environment, especially in the spatial-temporal aspect*. Often, during the lifetime of only one generation of people, landscape engineering systems originated, functioned actively and collapsed. Studying the «experience» of their environmental impact will help to avoid a number of environmental issues in the future;

– *research of vertical and high-altitude differentiation of anthropogenic landscapes and their dynamical processes*. This is especially true of residential and industrial landscapes, where the two-tier (underground and terrestrial) structure of unique landscape complexes continues to be actively formed, which has an interesting future. High-altitude differentiation of mountain landscapes is much better than plane;

– *research on the development and functioning of micro-core processes in the structure of anthropogenic landscapes*. The modern landscape and environmentally destabilized environment is characterized by abnormally rapid changes in the structural organization of geo-components and landscape complexes and the interconnections between them. Under such conditions, micro-core processes are actively developing i.e. the development of new landscapes, ecological, energy, material and other connections that are formed in the environment. Their study has a lot of potential. On the one side, micro-core processes reveal the causes and mechanism of fluid transformation tendencies at the local level and possible perspectives of their regionalization; and on the other side, taking into

account their indicative value, the path to coordinating the state of the environment opens up and the possibility of preventing the emergency of unwanted or aggressive processes and phenomena in the early stages of their development;

– *research of the specificity of consequence processes in anthropogenic landscapes.*

First of all it concerns industrial (especially mining-industrial) and residential landscapes. Over the past 50-60 years, active development of derivative processes has been observed in all classes of anthropogenic landscapes and in all regions of Ukraine. They differ from the rest in most cases, the derivative processes are predictable. Areas of their future development are known, and therefore the manifestation of undesirable derivative processes can be predicted, which makes their research promising;

– *research of symmetry and asymmetry of landscapes and related actions of their development.* Through the study of symmetry and asymmetry of landscape complexes in perspective it will be possible to solve a number of issues related to the rational use of nature within the hills, foothills and mountainous territories. The actions of symmetry and asymmetry in nature focus more on mathematics, physics, biologists. Geographers and landscape experts are only beginning to study the particular features of landscape complexes, which are due to their symmetry and asymmetry;

– *research of unique and original anthropogenic objects and territories.* The long period of the formation of anthropogenic landscapes, their diversity and peculiarities have led to the distinction in the structure of anthropogenic landscapes of not only original, but also unique territories and objects, some of which are already components of the national heritage.

Together with the development of natural and landscape geography, new concepts and terms will be offered. They will not be many, most of them are already established and do not call disputes, however, they need to be clarified. Consider the example of the concept of «residential landscape». The term «residential landscape» has received general recognition and is now widely used in studies of anthropogenic landscapes. However, there are other names of the populated territories. So, along with the already established term «residential landscape», the phrase «local landscape» begins to be used, with both names having the same meaning – «populated area».

The first argument against the use of a later term is based on one of the main principles of terminology: if a new term exists, and there is no new concept behind it, then this is nothing else but a word game. One of the most important requirements for the development of terminology is not to replace the already well-defined names without the need. The title is considered established if it is included in the appropriate dictionary (professional or interpretative) or encyclopedia (also professional or general). The most authoritative arbiter in this dispute is the articles in the «Geographic Encyclopedia of Ukraine» under the title: «residential landscape», «residential zone» and the absence of any phrases with the adjective «local». Academic dictionaries and encyclopedias are models of

normativity and language correctness. The new borrowing takes citizenship rights only when it is included in such a publication.

The second argument, «against», is that no terminology system should produce names-synonyms. Such lexical phenomena as synonymy, homonymy, paronym, that is appropriate and desirable in creative writing, is inadmissible in the field of terminology, because it violates the main feature of the term – its semantic transparency, clarity, uniqueness. The best way out of this situation is the elimination of one of the synonyms, usually the one that appeared later. The axiom of the perfect terminology claim:  $1 = 1$ , that is, «one concept has one language sign for expression», and vice versa – «one word must be called only one concept».

Consequently, the observance of the basic principles of terminology requires a categorical choice between «residential» and «local». To allow the equal use of both names means to deliberately engage in the destruction of the system of landscape science terminology. And in this confrontation, the undoubted advantages on the side of the first term, as emerging much earlier and, most importantly, are fixed by the latest professional academic publications of Ukraine.

It is also worth noting that the attempt to create the term «rural landscape» does not take into account language factors. This is unacceptable when creating a new term, since terminology is only a language subsystem that is subordinated to all general-purpose universal norms (orphoepic, spelling, grammatical, lexical). And the use of the adjective «local» as a term violates a number of mandatory rules. First, both words – both motivating and motivated – relate to the outdated vocabulary, as evidenced by the academic «Dictionary of the Ukrainian Language» in 11 volumes: the village, obsolete Settlement. An example taken from Ukrainian literature: Here (in Simferopol) was a Greek settlement of Neapolis. O. Vyshnia. The word «settlement» is not fixed by this dictionary, but at the same time it is quite normative and fits into the general model of the creation of Ukrainian words. However, the creation of new words on the basis of the outdated vocabulary that came out of active use, which is unusual and partly incomprehensible to the modern speaker, cannot be recognized as a progressive phenomenon with all due respect for the purity of the Ukrainian language. Consequently, the most important claim to this formation is that it has a darkened, opaque meaning due to its obsolete and maladaptive nature.

In addition, the newly created term should be easy to pronounce, according to orphoepic norms of our language. This is achieved by a uniform combination of consonant and vowel sounds, which does not correspond to the word «local», which is pronounced [sel'bischny], that is, there is a coincidence of several consonants in the basis that is atypical and undesirable for the Ukrainian language. With this structure and pronunciation, the term is completely devoid of prospect to enter the international terminology system, and this must be taken into account when creating a new terminological name.



Consequently, the arguments against the proliferation of the terminology compound «rural landscape» are quite significant: it is a violation of both general language and the actual terminological requirements for neoplasms. These violations are unlikely to compensate for the «Russian» origin of the word «residential», which is fairly transparent associated with the motive of his word «to settle», simple in writing and pronunciation, well-known to specialists in geography, entered in the encyclopedia, is widely used in scientific monographs, articles, dissertations on landscape science. And there is no benefit in clogging the geographical and landscape-terminology terminology with synonyms-duplicates. It is useful, on the contrary, to get rid of identical in content, but different in form names, so that the terminology system works better and more efficiently.

As for the false new names-synonyms for the term «residential landscape», we have already noticed: «In addition to «residential», there are still other common names inhabited by people of territories, in particular: «local» – is now becoming popular, although it is not clear how a city or city agglomeration can be considered a village; «Settled» – why not «settling» or «evicted»? Critical remarks on the name «residential», the term «settlement» as Russian-language ones are not substantiated. «Selelyba» is an Old Russian language word and can be used equally in Ukrainian, Russian and Belarusian languages».

Summarized above, we draw the following definition: *residential landscape is an anthropogenic landscape, which is formed and functions under the influence of residential activity of people.* If the residential activity of people leads to the development of the city – the city is formed, township – township, villages – rural landscape. At the same time, it is not always correct to use the phrases «urban residential landscape» or «rural residential landscape». This terminology is preferable to use when the research relates to inhabitants in cities or villages of territories, places of their immediate residence only. If we take into account that in the structure of settlements, particularly rural ones, except for the territories occupied by residential buildings, there are tractor stations, farms, currents, roads, quarries, rates, etc., it is more expedient to use the term with a broader meaning – rural landscape (identical to town and city landscape). There is no doubt that the emergence of new terms and concepts, on their own or borrowed from other sciences, is an objective process. However, an unfettered enthusiasm for them does not benefit anthropogenic landscape science.

### **Conclusions.**

According to the internal structure, the «Natural Geography of Ukraine» course is much more complex than the «Physical Geography of Ukraine» course. Natural geography combines three (in the future, perhaps four – constructive geography) closely interconnected disciplines, each of which has its own, established and already accepted by most geographers structure: physical geography, historical geography and anthropogenic geography. The question as to whether the desirable names «anthropogenic natural geography» and, accordingly, «historical natural geography» and «physical natural

geography» are unjustified complications (clogging) of the language of geography. Anthropogenic geography should be considered as an independent science that is a part of natural geography. The object of research of anthropogenic geography is anthropogenized or newly created geo-components, and in the future anthropogenic geographic sphere of the Earth. Anthropogenic geography is closely interrelated with anthropogenic landscape science, but they differ as the first is non-complex, the second is complex. Anthropogenic geography is a component of natural geography and anthropogenic landscape science is a component of landscape geography. Among the modern issues of the development of anthropogenic geography, the following groups are distinguished: methodological, scientific-theoretical, methodical, applied, organizational and popularization. Their solution is a complex process, but it is needed in the near future.

Each of the components of the «Natural Geography of Ukraine» course (physical, historical and anthropogenic geography) has a structure that has already been partly recognized by natural geographers. Physical geography of Ukraine is generally recognized in the HEIs of Ukraine, but its status needs to be changed. «Physical Geography of Ukraine» is not just a component, it is the basis of the «Natural Geography of Ukraine» course. The updated «Physical Geography of Ukraine» needs to be studied in a new bachelor course «Natural Geography of Ukraine» in the HEIs, which will form the basis of the Master's course of «Constructive Geography of Ukraine».

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## **REGIONAL FEATURES OF THE NATURAL ENVIRONMENT AND THEIR CONSIDERATION IN THE PROCESS OF EXTREME TOURISM DEVELOPMENT**

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**Abstract.** *We have studied the problem of availability and knowledge of extreme natural conditions on the flat land, in particular, Ukraine, and their possible influence on the formation and development of extreme tourism. We have distinguished and characterized the extremity of climatic, geochemical, biological, geological-geomorphological and landscape conditions, and we have shown their special nature and the need to take into account their peculiar parameters in extreme tourism. Besides, we have presented the possibilities of using extreme natural conditions in the development of extreme tourism within the limits of Podillya as one of the most promising regions for this type of tourism on the flat land of Ukraine. It should be noted that the natural conditions and resources of Podillya are favorable for the development of certain types of extreme tourism. Two groups of factors that make it possible to develop extreme tourism: geological and geomorphological and hydro-climatic are distinguished and characterized. On their basis, it is advisable to develop such kinds of extreme tourism as the caving tourism, horseback riding, tracking, mountain biking, X-racing, hang-gliding, etc., which are untypical for the flat land of Ukraine.*

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**JEL Classification: L 830**

### **Introduction.**

In the modern environment, natural conditions have a wide range of effects on human activity: from the most favorable (comfortable) to completely unusable – discomfort, under which life and economic activity of people are impossible. The latter type of natural environment is often called extreme. From the point of view of human health, the extreme nature of the natural conditions can be manifested in any of the components of the environment. The problem is, what conditions should be considered extreme, which are the criteria of extreme natural and social conditions of life, including tourism, people. This problem is still poorly studied not only for natural complexes in general, but also for certain components of the natural environment.

A modern research on the development of extreme tourism is devoted mainly to the general natural and socio-economic aspects, its development, as well as the characteristics of certain types of extreme tourism. Almost no attention is paid to extreme natural conditions that contribute to its development on the flat land. So far, there is only one monograph, where this problem is partially studied [11]. It studies the possible impacts on human health of various, in particular, extreme, types of environment, and analyzes geographic approaches to its optimization. Extreme tourism is not considered.

In this regard, an attempt was made to consider the possibilities of using the peculiar natural conditions of Podillya for the development of extreme tourism.

From the beginning of the XXI century sufficient deal of interest is given to the development of tourism within the Podillya. The following types of tourism such as trekking, water tourism, bicycle touring, partly caving tourism and automobile tourism are actively developed. However, there are still some types of tourism which are of little interest. The main reason for this is inadequate study and substantiation of the possibilities to develop non-standard types of tourism for the flat land of Ukraine, in particular Podillya. One of these is extreme tourism. A preliminary analytical review of literary and cartographic sources and field studies show that, in Podillya, natural conditions and resources in some cases are favorable for the development of some, quite popular, types of extreme tourism, in particular those created on the basis of geological and geomorphological and hydro-climatic special features of the territory of Podillya.

### **1. The human adaptation problems to extreme natural conditions.**

The present state of the landscape and ecologically destabilized natural environment is such that man needs to adapt almost everywhere to it, no matter if these are mountainous areas or flat land, agricultural or industrial and other regions. In the process of adaptation, the most important component is the ability of a person to adapt to adverse, sometimes extreme, natural conditions. This form of adaptation is the main factor that stimulates and activates the performance of biological and nonbiological adaptation mechanisms. In order people better adapt to the natural conditions, especially under tourist conditions, it is advisable to consider possible types of extreme conditions according to their individual components.

*Climatic conditions.* Influence of climatic conditions on the state of human health in the process of tourism, is various. It can be direct and indirect. The first one is reflected, for the most part, in the thermal state of a person, which not only strongly affects the state of health and performance, but can also provoke appropriate changes in the body, which often lead to a transition from the normal state to the pathological one. Under extremely cold and sometimes just cold conditions (depending on the human body and its tourist endurance), the physiological mechanisms that control thermoregulation with the existing forms of nonbiological adaptation are often insufficient, which also causes the state of hypothermia, which significantly limits the tourist activity.

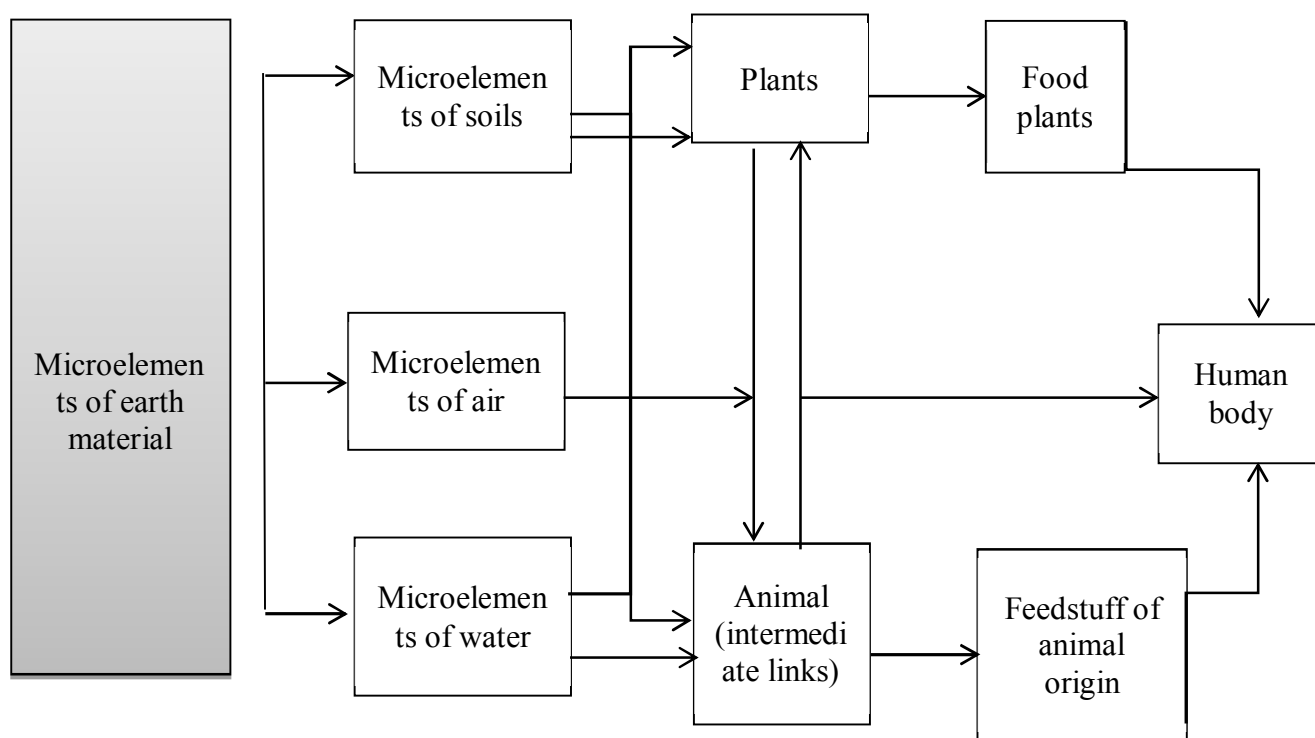
Under extreme hot conditions, these shifts are due to excessive heat entering the body, which contributes to the development of hyperthermia.

To separate the lands with climatic conditions extreme for people Studies which consider spatial distribution of complex indicators of climate impact, which are reflected on the maps of bioclimatic assessment of the territory, have substantial significance. More often, such studies are devoted to small areas. However, the bioclimatic maps of these territories are constructed on the basis of various initial data using different methods [9, 11]. The most popular are regional maps of the distribution of average monthly effective temperatures in January and June, constructed taking into account the joint effect of temperature and relative humidity of air, the display of extreme climatic phenomena and the processes caused by them. In terms of location these are the maps of mainly natural lands, administrative regions or districts of active development of extreme types of tourism.

In the course of studying the importance of extreme climatic conditions for the development of extreme tourism, in addition to regional, increases the importance of global climate change. The surface layers of the atmosphere, systemically associated with global changes in the surface of the earth, reacted by appropriate changes in the gas composition of air masses, the increase in the number of climatic extremes and hard-to-predict trends. So, during the twentieth century, the concentration of carbon dioxide – the main cause of the greenhouse effect - increased by 25% (from 280 to 360 ppmv), and the amount of methane doubled, the average annual air temperature on Earth increased by 0.6 °C [4,10].

*Geochemical conditions.* Close ecological connection and dependence between people and geochemical conditions, especially in extreme situations and periods of tourism development, is determined primarily by the fact that the geochemical environment is an important factor in the evolution of the entire organic world. It has long been known that more than 70 chemical elements are directly related to the living tissues of organisms and play an important role in life activity, affect morphological, physiological, biochemical, and genetic changes at different levels of wildlife organization [8, 11]. Human relationships with the geochemical conditions of the environment are manifested primarily through biochemical food chains. However, it is important to take into account the fact that in ecological relations with the geochemistry of the landscapes of any region, people are mostly the last link, and therefore they feel their influence less than plants and animals, even under extreme conditions. This is shown by the scheme of biochemical food chains of microelements (Fig. 1)

In general, the chemical composition of the landscape sphere of the Earth is very inhomogeneous. A spatial change is observed not only in its separate natural components, but also in landscape complexes. In some cases, these changes can reach significant values. The unity of the geochemical environment and life determine the conditions under which we distinguish distinct geographical special features of the regional "standard" for the flora, fauna, as well as for the person – its health [5,8].



**Fig. 1. Microelements in the schemes of biochemical food chains**



– [11] *anthropogenic landscape*

Insufficient quantity or excess of different chemical elements affects all the links of biochemical food chains, including humans. Under normal conditions, as a result of the homeostatic balance of metabolic processes, pathological deviations may not occur. However, the possibility of their regulation can only be carried out within the appropriate limits, which in literary sources are often defined as thresholds, or borders of critical concentrations [8]. They provide an opportunity to create scientifically well-grounded ideas about the quality of geochemical environment of human life: regions between the lower and upper thresholds of the concentration of chemical elements - comfortable, beyond their borders - extreme. In the process of tourism activity, especially extreme, when a person is found under uncomfortable conditions, the surplus or insufficient quantity of certain or other chemical elements in the environment, may rather lead to the violation of important functions in the human body, and manifest in the relevant pathological conditions, even diseases. Such diseases are often localized (the area of extreme tourism development), their genes are known, and therefore these diseases are, in most cases, referred to endemic, which, if necessary, are taken into account in further treatment. However, as with any endemic disease, a continuous disease of the population in the areas of geochemical endemic is not observed, and it is necessary to bring to the attention of extreme tourists.

The absence of continuous diseases in the areas of extreme tourism development (geochemical aspect) is due to greater heterogeneity of populations in relation to the perception of chemical factors of the environment. Usually in geochemical endemic regions, as a rule, healthy people are more than patients. The state of health of people in these regions, is more often determined by the influence of one of the chemical elements. For a tourist found under the extreme geochemical conditions, some other chemical elements, along with the main one, are more active, and under different natural conditions – in different ratios and concentrations. The possibility to become sick is clearly increasing. Thus, the factors that spatially locate the endemic disease of Derbyshire neck through diet may be the specialization of agriculture and the system of food supply to the population. V.M. Meshchenko and V.K. Symonovych believe that the «outgrowth» of goitrous endemia among the population of individual endemic areas is dependent on the share of cultivated land and the ratio of cereals crops used in food [9]. These are the factors that determine the ecological relationships of the local population and extreme tourists that are found here, with the geochemical features of a particular region. It should also be noted that the biogeochemical conditions of the environment can also indirectly contribute to the emergence of extreme human health situations. At the same time, they act as factors that deepen or reduce the development of individual human diseases other than of biogeochemical origin, in particular the malignant development of hypertension against the background of excessive intake of sodium chloride.

At the beginning of the XXI century there is no doubt that, along with natural geochemical landscapes, the role and significance of extreme, anthropogenic, especially man-made landscapes significantly grows. This applies not only to the regions of development of large areas of mineral deposits or radioactive contaminated areas, where the contact of the population and tourists with different chemical and radioactive elements can create the conditions for the emergence of biogeochemical endemics, but also concerns the general biogeochemical and radioactive changes of the landscape shell caused by migrations of chemical elements, often referred to only its pollutants. According to FAO data at the end of the 20th century, completely abandoned land totaled 3% of land that is 4.5 million km<sup>2</sup>, which is almost half of the territory of China or the United States. On the one hand, this is an example of the planetary scale of civilizational de-constructivism of the natural environment, on the other – expansion of areas and opportunities for the development of extreme types of tourism. Was it possible to predict in 1986 that in the first decade of the XXI century, the Chernobyl zone will become the most popular tourist destination in Ukraine?

*Biotic conditions.* In comparison with climatic and geochemical conditions, biotic ones, in relation to the development of extreme tourism, are much less studied. It applies to both plant and animal life. It is known that vegetation in most cases determines the general image of the landscape and the animal population belonging to it.

For a person the regions without vegetation are considered to be extreme, which is a source of food resources for it, and a forage base for animals. These are regions of known deserts, as well as areas covered with glaciers and age-old snows. However, the extremity of these regions is primarily due to their climatic conditions, and the difference in the nutrient component only increases the extremity of the environment, but does not form it. However, biotic conditions can directly negatively affect people, including extreme tourists. We are talking about a well-known property of individual biocenoses to include parasitic systems in the structure of which there are dangerous and very dangerous diseases for a person. Such diseases include transmissible anthroponosis and zooanthroponosis, as well as individual geohelminthiasis and biogelmintosis. That is, biota can be an element of the natural conditions of these diseases. Perhaps the regions extreme in terms of their biotic conditions, can include those where biotic factors contribute to the high risk of human infection and where it is necessary to implement special preventive and other measures for human normal life. In such cases, distinguishing extreme regions for the development of extreme tourism involves the nosogeographic assessment of the biota: knowledge of the landscape patterns to distribute animals that support the development of epizootic and (i) epidemic processes, analysis and assessment of their nosogeographic role.

To substantiate the extremality of the region under the biotic conditions of the natural environment is probably only possible when the natural-endemic or naturally-focal diseases of people caused by them are characterized by high mortality, severe chronic clinical course or lead to disability. It also depends on the population and development of extreme tourism in such regions. In particular, in some regions in temperate and subtropical latitudes people have long refused to settle in swampy areas, so as not to become infected with malaria. This is also typical for some river valleys of Africa and South America.

Under active economic development of regions there is a deepening of extreme biotic conditions of the environment (Table 1). This is well illustrated by the example of tropical areas. Here, deforestation and the creation of plantations in the equatorial regions, the construction of hydrotechnical structures, the creation of reservoirs and the expansion of irrigation systems in more arid tropical areas without the use of special measures have led to a significant expansion of areas of tropical diseases, an increase in their epidemics [4,5].

The approach to distinguishing regions of extreme biotic conditions seems at first glance somewhat mechanical and formal, especially when trying to take into account the conditions for the manifestation of complex diseases. However, this is fair only in relation to the external expression of this landscape reception, but in essence – it has a profound ecological meaning. The fact is that certain types of landscapes differ not only in their vegetation and animal world, but also in the appropriate groups of parasites - viruses, bacteria.



*Geological and geomorphological conditions.* Determining the parameters of direct relief, extreme for tourists, is sometimes more complicated than determining the parameters of any other geocomponent of the natural environment. This is due to the fact that the geological and geomorphological conditions are closely related to the climatic and biotic conditions, and affect the person mainly through them. However, the extreme influence of geological and geomorphological conditions on the tourist is shown directly through:

- differentiation of high-altitude environment, in particular relief. That confirms the nature of the resettlement of the inhabitants of the Earth. Most of them have long given preferences to flatland. Even now, the regions with marks more than 500 m above sea level, is inhabited by only 20-22% of the Earth's population, and above 2000 m – 1.5% [4,5]. One of the most important manifestations of the direct influence of the relief on tourists is the influence of its high and middle mountain variants. Only on the highlands there is such a pathological phenomenon as a complex of symptoms of mountain sickness. In general, in the mountains, a person feels discomfort from lowering atmospheric pressure and air temperature, lack of oxygen, increased solar radiation and wind force, etc. Therewith, almost all of these phenomena can manifest themselves on the flatland, but do not cause a mountain disease in a tourist. This is one of the factors that often leads to false thinking about the impossibility of developing extreme tourism in flatland conditions.

Operational conditions extreme for a tourist are as well available below ground level, particularly, in the deep and dark, almost closed caves, numerous mines and tunnels, or in the water environment. In this case, the tourist's perception of an extreme environment is determined not only by the surface morphology and its height, but by other specific conditions of the natural environment. They include the closed and limited space, the lack of light and usual composition of air or its absence. In any case, the activity of a tourist in such environment is impossible without the use of special life support systems, that is, it is necessary to create an artificial environment;

- slope ratio. It is apparent when it refers to the mountains; on the flatland the conditions and opportunities for the formation and development of certain types of extreme tourism depends on the slope ratio. On the flatland there are regions with the so-called low-mountain topography (Middle Trans-Dniester) or «mountains» – in Podillya – the Kremenets Mountains and the Podilsky Tatras, where the slope ratio of some mountains and river valleys from 35 to 90 is not that rarity. It is characterized by canyon-like valleys of rivers, caves, cave labyrinths and others. All this, sometimes contributes to the formation of even better conditions for the development of such types of extreme tourism, as trekking, horse riding and cycling, especially for older people, mountaineering, caving tourism, as well as extreme aerial types, and others.

- available appropriate (stone, clay, sand, combined, "artificial") substrate of routes. In combination with the slope ratio, and even in rainy weather, one or another substrate can clearly enhance or weaken the extreme conditions, and in some cases, prevent the appropriate measures on the routes.

## 2. Extreme conditions of Podillya nature.

Landscape conditions, their extremality, form together the geo-component conditions described previously. That is, in the process of formation and development of extreme tourism it is necessary to take into consideration not only tourism in the landscape, but also the landscape in the development of extreme tourism. This is a complex problem and requires a certain study. It is just noted that great attention will be paid to the special features of extreme tourism in anthropogenic landscapes. According to approximate estimates, the total area of anthropogenic landscapes on all continents of the Earth (without Antarctica) reaches 60% at present time, and at the beginning of the 20th century it was only 20%. The largest in Europe is 84%, in Ukraine it is 92-94% [4,10]. Taking into account the above-mentioned peculiarities of natural conditions in the development of extreme tourism, we shall consider by the example of Podillya region typical for Ukraine.

The name and limits of modern Podillya have a long history of formation, which is discussed in detail in numerous publications [2, 13, 14]. Here we only note that the term Podillya (Podolye, Podolyya, Podil, Podilska land, Podoliya, Podillya) was first recorded by the Lithuanian princes in 1351, in Ukrainian letters - in 1389, in chronicles – in 1392. [5]. Among naturalists, the idea that Podillya is associated with flat placement (in proportion to the Carpathians) prevails. Other thoughts have been analyzed in detail in the works by Denysyk G.I. [2, 14], who believes that the name of Podillya was established from the XIV century after the seizure and division, distribution of modern lands of the western regions of Ukraine between feudal Lithuania, Poland and partly Crimean Tatars. "Divided" lands of the lower reaches, the Bug-Dniester interfluvium and Pobuzhzhya got the only one name - Podillya. Subsequently, history repeatedly confirmed the validity and truthfulness of such meaning of the region name.

However, *the historical and geographical boundaries* of Podillya are interpreted differently by different authors: from the central part of modern Khmelnytskyi region, along with the left bank of the Middle Trans-Dniester to the vast territory between the northwestern borders of Ukraine and the shores of the Black Sea. At the beginning of the XXI century the boundaries of Podillya, according to the scheme of natural-economic and administrative zoning of Ukraine, include territories of three administrative regions - Vinnytsia (Eastern Podillya), Khmelnytskyi (Central Podillya) and Ternopil (Western Podillya), with a total area of 60.9 thousand sq. km or 10.1 % of territory of Ukraine. In the long run, these regions will be the basis for the formation of Podillya province.

Analysis of literary and cartographic sources shows that the views of naturalists on the natural boundaries of Podillya coincide in general. There are discrepancies only in certain areas. Podillya is Podilska highlands. However, the boundaries of Podillya in the Middle Pobuzhzhya should be marked not by the modern valley of the Southern Bug, but by the ancient valley of the flow of glacial waters of Southern Bug from the village of Ulaniv through the town of Kalynivka and Turbiv, then the Sob river, through the town of Dashiv

and Gaysyn, and to the south where the influx of Udych River joins the Southern Bug River. This boundary is clearly traced not only according to the features of the geological structure, relief, soil cover and vegetation, but also in the structure of modern landscapes and the nature of their economic use.

A significant variety of natural conditions and resources of Podillya contributed to the wide and diverse use of them in various spheres of economic activity, including tourism. The issue of tourism development within Podillya is constantly in the field of view of scientists [4, 13, 14]. Particular attention is paid to such types of tourism as cognitive, recreational, event and others. Proper attention has not been paid to extreme tourism. It is in the "shadow" of others, although the natural and social conditions for the formation of extreme tourism within the Podillya are good. Let's consider them in more detail.

*Geological and geomorphological preconditions.* Podillya, especially its Transdnistriean part, was formed on the border of two different types of natural structures: on the one hand, the southwestern wing of Podilsky monoclinical of the East European Precambrian platform, on the other hand, the Pre-Carpathian mountain trench of the Carpathian folded structure of Alpine orogeny. This was reflected in the development of tectonic processes, the unique geological structure, the original orography and morphostructural plastics of Podillya surface.

Actually the territory of Podillya is located within two genetically related tectonic structures - Ukrainian crystalline massif (shield) and Volyn-Podilska plate. Shepetivka - Letychiv - Mohyliv-Podilskyi makes the line between them [3]. Podillya part of the Ukrainian crystalline massif is composed of magmatic (charnokite-norite complex, main and ultrabasic rocks) and metamorphic (pyroxene-plagioclase and garnet-biotite gneisses, migmatites) rocks. Charnokite-norite complex is represented by hypersteinal granites, diorites, migmatites, which form large massifs along the Pivdennyi Buh River in the district of Vinnytsia city and the city of Gnivan, along the Zgar River, in the basin of the Soba River, and also found in all regions of crystalline rocks of Trans-Dniester. Upper and Middle Pobuzhzhya is the most widespread area of pyroxene-plagioclase and garnet-biotite gneiss within the limits of the Ukrainian crystalline massif. The first ones are often found in Trans-Dniester region, especially near the villages of Porogy, Rusava, Pysarivka, and Dzygivka. The base of Volyn-Podilsky plate is composed of rocks of the charnokite complex, gneisses and granites. Their yields are known in the valleys of the rivers in Lyadovo, Zhvan, Derlo. In the west, they are covered with a thick layer of sedimentary rocks and studied only by the results of drilling. Structurally, the base is inhomogeneous [3, 12].

Available crystalline rocks, their widespread occurrence, which often has landscape significance, especially in river valleys, creates good preconditions for the development of extreme types of tourism within the boundaries of Podillya, in particular in its eastern part.

This is facilitated by the yield of crystalline rocks in the form of powerful system of thresholds in the course of the Southern Bug River (Strilchynetski, Pechero-Sokiletski, Gubnykski, etc.), granite «walls» and grooves on the slopes of the Southern Bug Valley, as well as often unique section-walls of deep (up to 60-70 m) numerous quarries of the crystalline rocks in the Middle Pobuzhzhya.

The crystalline rocks of Podillya are covered with a complex of sedimentary deposits, the capacity of which increases from 0-10 m in the northeast to 3-3,500 m in the southwest. These deposits in the Middle Trans-Dniester are represented by aleurites and sandstones of Valdai series. Their numerical cleavage in the form of steep walls 10 meters in height and more occur everywhere on the slopes of the valleys of the rivers in Lyadova, Zhvan, Kalyus, Karayets. The industrial reserves of phosphorus are concentrated in the stratum of argillites and aleurites of the Nagoryan rock formation [3, 12]. Silurian and devonian deposits are widely spread in Podillya. Silurian is represented by dark gray and black clay limestones - the lower part, the formation of tiled and lumpy limestones with the layers of marls, clay, dolomite and shale - the upper part. The total capacity of the deposits is 800-850 m. In the valleys of the Dniester, Smotrych, Studenytsia, Zhvanchyk, Zbruch limestones form the steep picturesque shores and caves.

The Devonian cleavage is found in the valleys of the Dniester, Nichlava, Seret, Strip, Koroptysia, and Zolota Lipa rivers. It mainly include clay, marl, fine grains, sandstones, aleurites and argillites, mostly of reddish-brown colour with a total capacity of up to 80 m [1, 9]. Jurassic deposits are widespread in the utmost west of Podillya in the valleys of the Zolota Lipa (the village of Zavadiivka), Koropets (Monastyrysk) and Dniester River near the village of Ustya-Zolote. Presented by argillites, aleurites, limestones and dolomite with a capacity up to 30 m. Cretaceous deposits of rocks of the Mesozoic series have become most widespread and have a capacity of up to 150 m. In Podillya they are found everywhere, except for the Middle Pobuzhzhya [5, 9]. From the end of the Cretaceous period to the middle of the Paleogene, Podillya territory developed in the continental regime, and therefore the deposits of the Paleogene - sandstones, sand, clay and marls with a total capacity of up to 25 meters rarely peel off in the valleys of the Goryn, Southern Bug, Lyadova and Murafa rivers. The Neogene deposits - torton and sarmatian are found more often. Sandstones, clay, marl, quartz-glaconite sands are developed everywhere in the southern and western parts of Podillya, plaster - only in the Trans-Dniester, in the valleys of the Zbruch, Nichlava, and Zhvanchyk rivers. In the Tortonian age takes place the formation of a barrier reef in the zone of modern Tovtry mountain range. Its base was formed by lithotamines and reef limestones. On the sides of the reef there were the rock masses of marl clay and sandy-clay rocks with a capacity up to 20 m. Sarmatian deposits are widespread everywhere, except for the Middle Pobuzhzhya. Their facial composition is diverse: within the Tovtr - reef, oolitic, shellfish limestones, in the lower reaches - sand, marl, and in the watersheds - sandy-clay rocks. The total capacity of Sarmatian deposits is about 200 m [5, 9, 14].

The aforementioned variety of bedding rocks, especially in the Western and Southern Podillya, is essential for the development of extreme tourism in the region. These rocks form a unique system of Canyons of the Middle Trans-Dniester, lowland landscapes of Podilsky Tovtry and Kremenets Mountains, original Podilsko-Bukovinska karstland. Knowledge of the rocks forming the territory and suitable for extreme tourism, for individual tourists, is related to the safety of their lives.

Bedding rocks are covered everywhere by quaternary deposits. Their capacity and genesis are different. The location of the territory in the extraglacial and partly (northern regions) in the periglacial zones had a great influence on the formation of the quaternary deposits of Podillya. The covering of forest trees of various capacity (up to 30 m) is the most widespread. Forests and loess loams are connected with the slopes of hills and watercourses. In the central regions their capacity does not exceed 12-15 m, and in the Trans-Dniester, in connection with the development of high terraces, forest trees occur only in certain areas [5, 9].

The geological structure and peculiarities of the development of tectonic processes are caused by the *plastic surface* of the main morphostructures of Podillya and Podilska and Trans-Dniester highlands. Modern features of the relief of Trans-Dniester highlands occupying the utmost north-eastern districts of Vinnytsia region are directly dependant on the surface of the ancient foundation of the Ukrainian crystalline massif. The maximum marking of the surface in the area of Tucha village of Kozyatyn District is 322 m, the minimum is 130 m in the suburb of the village of Stavky in Bershad district of Vinnytsia region.

Podilska highlands corresponds to the slope of the Ukrainian crystalline massif, which monoclinically declines to the southwest. However, as a result of the newest Pliocene-Holocene elevations, inversive relief was formed in relation to the ancient structure. Moreover, within the limits of Podillya highlands and in its immediate surroundings, there are the highest marks of not only flatland of Ukraine, but also of the Eastern European flatland: Mount Kamula (+473 m) in the south-east of Lviv in Gologory and Mount Berda (+515 m) within the limits of Khotyn highlands. The relief also clearly distinguishes Voronyaky (+436 m), Kremenets mountains - Bona (+409 m). Podilsky Tovtry stretched in the form of an increase of 200 km with relative heights – 60-80 m. Significant fluctuations of heights (up to 220 m) in Trans-Dniester region provide this part of Podillya highlands with the nature of foothills. Here is one of the most original geological and geomorphological sites in Europe – the *Grand Canyon* of the Dniester [7].

Structural-denudation flatland with absolute marks of surface of 300-320 m prevailing in Podillya often in the southwestern parts are complicated by surface forms of karst – swallow holes, panoramic views, rock rills, ancient valleys («poplavy») and lakes. The underground karst caverns represented by the caves in gipso-anhydrite provide tourist significance of Podillya karst. These include the world's longest gypsum cave Optimistic

(165.0 km), Lake (107.3 m), Cinderella (82.0 km) and others [3]. The presence of original canyons, steep (up to 40-60°) «walls», numerous picturesque with the height of 15-30m tracts on the slopes of the valley of the Dniester and its left side streams, deep pits of various rocks - the perfect base for active development of mountaineering, including children, tracking, mountain biking, X racing, and underground karst caves and developments of limestones and gypsum – caving tourism. None (except the Carpathians and Crimean mountains) of the Ukrainian regions has such unique geological and geomorphological conditions for the development of extreme types of tourism.

*Hydro-climatic preconditions.* The peculiarities of geospatial location and contact are also determined by the regional uniqueness of Podillya climatic conditions. They are formed under the influence of the Atlantic Ocean and the continent of Eurasia. The climate of Podillya is moderately continental, humid. Summer is long, the winter is short and warm. In the region, the values of solar energy and atmospheric precipitation exceed the average latitudinal rate. The annual radiation balance varies from 1850 in the south to 1,780 MJ / m<sup>2</sup> in the north [7]. The average annual air temperature is from + 8.1 ° to 6.5 ° C, which is 2-3 ° lower than in the eastern regions of Ukrainian forest area. Podillya receives more atmospheric precipitation than average zonal rate - 500-600 mm/year. For a warm period there is 65-70% of the annual amount. A stable snow cover is set up in the second half of December. Its average height in the highlands is 10-16 cm, in the lower reaches it is 40-50 cm.

Together with the geological and geomorphological, climatic conditions influenced the formation of river network within the limits of Podillya, the most densely flooded in Ukraine: in average 0.36-0.40, and in the Middle Trans-Dniester region – 0.53-0.58 km / km<sup>2</sup> versus 0.24 km / km<sup>2</sup> in Ukraine [3, 5]. In the Middle Trans-Dniester region, the river valleys are deep-cut, canyon-shaped, flood plains are narrow, fragmented or quite absent. On some parts of the river valleys there are 6-7 terraces [2]. Within the limits of the Middle Pobuzhzhya, the course of the Southern Bug and its influx are complicated by the systems of original thresholds from the crystalline rocks of the Ukrainian Shield. According to the structure, these thresholds are the most complicated and powerful, not only within the limits of Podillya, but also of the entire Eastern European flatland. If taking into consideration the storm rains resulting from floods, as well as the fact that in the spring period 55-56% of the water flow and the water level in the Southern Bug rises by 2-3 m, and on the rivers of the Middle Trans-Dniester up to 4-5 m, then opportunities for the development of extreme types of water tourism - rafting, kayaking (slalom, rodeo, rafting), etc. on the Middle Trans-Dniester and Middle Pobuzhzhya, are significant.

The uniqueness of the soil cover, vegetation and animal life of the territory of Podillya is caused by the location. They can not be attributed to any one natural area. Now a special biogeocoenosis of the western forest of Ukraine has been formed here.

Within the limits of Podillya soils, flora and fauna of the mountain system of the Carpathians and the East European highlands are closely interconnected. Here, vegetative groups interact with zoocenoses of the broad-leaved forests of Central Europe (with beech), the forest-steppe of Eastern Europe (forests with oak), mixed coniferous-broad-leaved forests of northern Europe, and through the Dniester valley, the watersheds of the meadow-steppe Black Sea coast. Such a large variety of soils and plant communities significantly complicates not only their bordering, but also the allocation of the boundaries of various typological and regional landscape complexes and their unique features [5, 13].

### **Conclusions.**

The development of extreme tourism, including on the highlands, requires detailed study of various conditions that contribute to its effectiveness. In this case researches related to the knowledge of extreme climatic, geochemical, geological and geomorphological, biotic and landscape conditions are of particular importance, as well as their impact on health and activities of tourists under extreme conditions. There are few such studies, especially in Ukraine. At the beginning of the XXI century extremality on the highlands of climatic and biotic conditions are studied better, the rest requires detailed study. Undoubtedly, under modern socio-economic conditions, it will be more difficult to determine the extreme conditions of both certain regions and Ukraine as a whole in terms of geochemical (significant financial costs) and landscape (complex researches). However, the activity of development of extreme tourism in the twenty-first century in Ukraine makes it possible to conclude that the costs will be repaid in the coming years. Regarding certain regions and exploring opportunities for development of extreme tourism within the limits of Podillya, it is possible to note the following:

- natural conditions and available natural resources are suitable for the development of extreme types of tourism within the limits of Podillya;
- the most favorable for the development of extreme tourism are the Middle Trans-Dniester and Middle Pobuzhzhya, Podilski Tovtry and Kremenets mountains;
- the main groups of natural factors that will promote the development of extreme tourism in the above-mentioned areas of Podillya are geological and geomorphological and hydroclimatic;
- taking into account the geological-geomorphological and hydroclimatic features of the territory within Podillya it is expedient to develop such types of extreme tourism as mountaineering, caving tourism, tracking, mountain biking, X-racing, rafting, kayaking, and their combinations.

Further research on the possibilities of development of extreme tourism within the limits of Podillya should be directed to the clarification of social factors of its development, structure, regional features, environmental and economic consequences.

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## **THE IMPORTANCE OF CONSOLIDATION PROCESSES FOR INTERNATIONAL COMPANIES IN CONDITIONS OF THE WORLD ECONOMIC GLOBALIZATION**

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**Abstract.** *According to the results of research numerous advantages and disadvantages of consolidation processes in international companies were revealed and differences in the creation of foreign and Ukrainian companies were examined. On the basis of used examples direct influence of transnational and multinational corporations on strengthening of processes of world economic globalization was grounded and proved. Environmental analysis of global companies is concentrated on problems of discovery and evaluation of economic and business opportunities, threats, strong and weak sides of their activity. Structural planning of productive, technological, commercial processes and working time structuring as the basic factors of successful companies' activities was confirmed by given examples. On the basis of conceptual approach peculiarities of development, economical and political influence of transnational and multinational corporations, strategic alliances and alliances' networks on the world globalization processes were determined, structured and analyzed.*

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**JEL Classification: F01; F15; F23; F29; O20; O29**

### **Introduction.**

In the era of the development of "economic states" that are characterized as transnational and multinational corporations, the creation and development of international economic-political alliances and international alliances' networks, the fact of active consolidation of economies of various countries has become obvious and it has lead towards the creation of basis for effective international cooperation. In its turn, the potential basis of international corporate cooperation of each individual state can be looked upon as the processes of structural and economic integration of business entities and the creation of associations of enterprises. Thus, within the framework of individual economies it can be formed either cores of future transnational and multinational corporate entities or structural divisions of already existing units of domestic or international corporate business.

The expansion of the corporate sector in certain branches of the economy of economically strong states gives them an increase in GDP and in export sales, where is for states with weaker economic systems, the development of corporate business makes it possible to attract investment to the economy. It should be noted that the processes of creating transnational corporate systems are turned to be a kind of manifestation of the consolidation of economic, labor, energy and other resources on the level of international economic and political cooperation, and thus become the basis of the world system of specialization and cooperation.

### **1. Consolidation processes as the basis of international cooperation**

In the modern economic space, consolidation has become the most common way of creating corporations, i.d. the formation of a unified organization on the basis of two or more companies. Consolidation includes the processes of mergers and acquisitions, exchange of shares, sale of business units, repurchase of a controlling stake for borrowed funds and privatization agreements. Concerning the implementation of above mentioned processes it is necessary for a company to universalize and synchronize processes of strategy development, tactics and management decisions, and therefore consolidated companies are inherent in the implementation of functional processes, synergies of interests and opportunities, synergies of motivations and competitive advantages.

Mergers and acquisitions have become the most common forms of association in the modern conditions of the global economy. Mergers and acquisitions, as some components of the consolidation process, are carried out with the aim of expanding the resource base, increasing production capacity, increasing competitiveness and strengthening competitive positions, improving organizational capabilities and increasing the effectiveness of research and development within the framework of a newly created company. An important feature inherent in the processes of merger and acquisition is the cyclicity, which is a kind of vicious circle of transformations, which are in their turn carried out in such lake directions as: the transformation of one of the company's enterprise participants into a parent company; transformation of the parent enterprise (company) into a regular member of corporate association of an internal or international nature.

Comparing features of the formation of companies in Ukraine with that of foreign companies we have identified certain discrepancies. Thus the majority of domestic companies created in the 90s of the twentieth century were formed in the process of privatization on the basis of property of enterprises formerly owned by the state, as well as property and financial resources of the former ministries and departments. As foreign companies are concerned, it is characteristic to merge various types of joint-stock companies through merger or acquisition. However, today, with the experience of almost 20 years Ukrainian companies use analogue methods of foreign companies formation, i.e. modern domestic companies are mainly created through mergers and acquisitions.

In the process of research we have accumulated some differences of international corporative business from its national model, which are quoted below:

1. Advantage of transcending national boundaries in effective conduction of business operations.

2. Regulation of national corporative business is accomplished on law basis of a particular country; and simultaneously regulation of international corporative business is accomplished by international economic organizations, or on the basis of two or multilateral agreements among business members.

3. Unlike national corporative business, managed by the national entrepreneur in the country, international corporations can be carried out within the territory of another state by nonresident or joint management.

4. Existence of multisized international corporative business subjects that are equal in size to a particular state are, so called, state in state business subjects. Some of subjects in international business are a state in state in size (as transnational and multinational companies).

5. Usage of global business service, world market of global financial services, and global system of international corporative business information exchange.

6. Possibility of the so called inverse estimation of public situations in case when negative trends in the economy (or some of its branches) are quite differently regarded by international firm because in such situation they can offer additional business opportunities for global companies.

7. International companies business can feel support of the state in many implicit forms in conditions of international competition.

8. Enormous variations of international corporative business can be dependant on the depth of involvement of international relations from isolated export to the creation of global companies in spheres of insurance, chemical and pharmaceutical industries, telecommunications and automobile construction sector.

The importance of understanding of essence of international corporative business can be considered international companies, i.e. organizations which export national capital for the purposes of its investments and business activities to other countries. It can be underlined, that world economic practice points out three groups of international companies:

1. The first group of international companies is named "multinationals" or "multinational companies" (MNC). This type of companies is characterized by unification of different nations capital (the capital of which is a multinational) and nature of multinational status. The first multinational company "Unilever" originated in 1929 by merging firms "Margarine Uni" (Denmark) and "Lever Brothers" (UK). Since then it has extended to one of the largest international companies with more than 500 foreign affiliates in nearly 60 countries and two "Unilever's" headquarters in London and in Rotterdam. Multinational companies also include world known concern "Royal Dutch Shell" (England-Holland), "Dunlop-Pirelli" (England-Italy), "IT&T" – "International Telephone and Telegraph" (the USA) and automobile concern "Fiat-Citroen" (Italy-France) [7].

2. The second group of international companies is described as transnational corporations (TNC). Transnational corporation is a special type of company that is national according to its capital and multinational according to characterized activities. Transnational corporation is a system of enterprises, covering the main company which defines nationality of it and its overseas departments. Parent company controls the assets of their foreign branches and usually owns a share of capital in them.

3. Some economists recognize the third group of international companies, which include international corporate alliances that are organized into consortiums. Such formations are created on industrial, scientific, technical and commercial basis and represent special union concerns to solve major economic problems. However, according to the opinions of the majority of experts, these alliances are forms of international strategic alliances.

Many countries in which international companies have business operations have experienced frequent changes of government as well as unexpected modifications of a government's economic policies. Changes in government policies toward the industrial and commercial sector of the economy and particularly toward foreign firms, foreign trade, and foreign investment have had significant impact on the profits and other goals of international firms. An issue that all planners face involves the allocation of physical, financial, and human resources to old products versus the development of new products, and for the expansion of old country markets versus the development of new country markets. An ideal product-country would provide the firm with a steady flow of cash for new product and market development and a rate of return on investment that is acceptable to top management. Achieving the proper balance between new and old products, and new and old markets is a challenging task for international planners.

An international company should have an overall plan and a well-designed strategy for entry into foreign markets. Many companies have entered foreign markets via licensing, contract manufacturing, or production facilities without a deliberate plan for foreign market penetration only to find later that the particular strategy was wrong. For example, a company may begin its involvement in a foreign market in the form of export sales in response to inquiries from foreign distributors. As export sales grow, the company may begin to experience problems supplying the foreign market via exports because of a variety of tariff and nontariff barriers and import restrictions imposed by the local government. Believing that the foreign market should be protected, the company management may resort to licensing a local company to produce the product. This may turn out to be the wrong strategy if in fact the market for the product expands and becomes large enough to support a local production facility. The option of production abroad would be unavailable to the company now because a local company is already producing the product.

Along with the dominance of multinational corporations in developed market economies (where 90% of multinational firms) can be traced the involvement in the processes of transnationalization of Eastern and Central Europe and the emergence of multinational corporations with headquarters in developing countries ("Daewoo", "Fuji" "Samsung"). Five countries as Germany, Japan, USA, UK and France offered their basic areas for many multinationals parent industrialized countries. These countries account nearly 2/3 of foreign direct investment, in industrial countries can be placed about 46% of all affiliates of multinationals corporations while in developing countries – 42% [8]. Transformation of organizational strategies of multinational corporations towards the formation of regional integrated networks is grounded not only on direct investment movement, but also on contract, shareholding forms of inter-firm relationships and transactions.

Despite the dominative role of consolidation processes that were the basis of corporation formation from the early of 2000s, the world society has begun to investigate just an opposite situation. During recent decades we can observe active decentralization in the management of TNC and MNC as an appearance of identical parts within macrolevel. For example, the Japanese transnational corporations were among the first to set up regional offices in Singapore, which control the production of automobiles and household appliances in South-East Asia. "IBM"-corporation (USA) moved its headquarters from the production of computer systems from home country to the UK and China, AT&T (USA) was established in France and these head office had to guide the global network of production of telephone equipment, and "DuPont" established two foreign headquarters of certain activities. Multinational corporations in different countries want to decide differently and have different expectations about economic problems and implementation of economic decisions. Global influence on economic processes does not fit well all countries worldwide. Globalization enables company-countries to build mixed business teams.

However, inevitable conditions of world economic globalization processes allow international corporations to create modern and comfortable forms of development that can be resulted in consolidation and independent activity of all market participants simultaneously. Strategic alliances and alliances' networks are now considered to be the most modern forms of corporative globalization on associative basis. Establishment of international strategic alliances, which coordinate long-term production base and market activities of two or more companies, is being built continually. The wide spread of strategic alliances is witnessed and proved by the fact that only European multinational companies created in the 80-ies of XX century enumerate more than 700 such unions in scientific field. Great interest was caused by the alliance of TNC "Siemens" and IBM the producers of semiconductors; this alliance was then joined by major Japanese multinationals and the main consumers of semiconductors. This strategic alliance symbolized great and fundamental transformation in the branch of electronics. Such companies as "Toshiba",

"Apple" and IBM entered into strategic alliance in the field of development and exchange of software products for a new generation of computers. Since the mid 80s XX century the number of international strategic alliances in the world has been growing by more than 25% each year [6].

World economic observations revealed the growth of development of international alliance networks, i.e. association of three or more international firms linked by weblike formal and informal agreements on cooperation and in several years, international alliance networks have formed multimedia industry. In the multimedia field alliances had already emerged late in the 80s XX century. Computer companies merged with companies consuming electronics, cable TV operators, providers of telecommunications and entertainment companies to develop new projects and services. Thus, Japanese "Sega" is the manufacturer of video games, which pursued the goal to take the top spot in the first rank of entertainment industry, has created their own network of alliances. Its partners were such American companies as AT&T, Time Warner; among Japanese we can observe Yamaha, Matsushita, and Pioneer. As a result, international alliance network "Sega" has gained free access to technology, allowing running computer games with live graphics and creating virtual amusement parks.

The research of consolidation processes as the basis of international cooperation in the framework of corporate business has resulted in the identification of three scientific trends. Representatives of the first one are included in a group of "corporate skeptics" who call corporations "business sharks", "destructive monopolists" and believe that corporate business representatives care only about expanding their own economic influence and strengthening of their positions in political circles. The representatives of the second stream belong to the group of "corporate supporters" who consider corporations as the driving force of world economic progress. Representatives of the third scientific trend are supporters of the institutional approach to the analysis of market relations and consider international corporations as the basis of the organizational structure of the industrial system of modern society. Such global monopolies as, for example, Mitsubishi Corp., Kawasaki Heavy Industries, General Electric Company, Holiday Inn, Michelin, MMK Nashe Delo, Kalina by Daimler Benz, are the most interesting examples in the field of monopolization of markets of various countries, monopoly relations and competition, management of price dynamics in the world market, the impact on the conjuncture of world stock exchange activity or the formation of a precedent of world labour migration. Analysis and deep study of work experience of above mentioned economic giants allow small and medium-sized businesses to learn how to compete and to be competitive, strive to achieve strategic goals and not to be afraid of economic grows, to be flexible and demanding in their work.

## **2. Development of transnational corporations as the reflection of world economic globalization processes**

International business, economy and management are of great importance in most of the countries and that importance continues to grow. The transnational corporation has been and continues to be the most important force promoting this growth. The world becomes increasingly interdependent and global, which means one big market, one big interdependent system with flexible boundaries in which people, products, technologies and ideas can easily migrate. The need for international management arises when a country becomes involved in foreign direct investments and general market.

Taking into consideration definitions and characteristics of transnational corporation (TNC) as basic unit of international business it can be noted that according to UN classification TNC – is only international associations with branches and subsidiaries in six or more foreign countries that perform coordination of their activities. In recent years can be traced some transformation of views on exact number of countries covered by the activities of TNC. Now, as defined by the UN, TNCs are "enterprises that own or control the production of goods and services outside the country in which they are based" [14].

One more definition is offered by UNCTAD, transnational corporation – is a company that unites legal entities of any organizational forms and activities in two or more countries and conducts generalized policy and strategy with one or more decision-making centers [14].

Difficulties in determining the nationality of TNCs and its relations with foreign subsidiaries can be explained by multistaged origin of these relationships. According to J. Stopford [13], the corporation moves into the category of TNCs, when the structure and nature of international operations department correspond to the third stage of corporation development in the domestic market.

Another approach is offered by R. McDonald and C. Seifert [9], they introduced four main stages of "external" evolution structure of the company during the transition to the TNC:

1. Realization of export and import operations by the firm.
2. Expansion of foreign activities of the company on sale of licenses and transfer of firm technology to other countries.
3. Foreign investment, especially in enterprise construction of production cycle; in this case businesses can be joint, mixed or wholly owned by the parent company.
4. The forth stage is somewhat different; it is characterized by substantial increase in foreign investments of the company with sharp increase construction of profits in general terms of corporation activities. On this stage corporation can be attributed to multinational one.

We believe that the main principle of the formation of TNC, regardless of its type, is the process of capitalization of capital, as concerns, corporations, holding companies, and financial-industrial groups are joint-stock companies, in which the hierarchy of participants is determined by the ownership factor of other shares of share capital of corporation development in the domestic market.

Scientific views of famous economists on the causes of transnational corporations vary, but among them we can reveal several dominant trends. Thus, the main key reasons for the emergence of TNC can be identified as the following ones:

1. Strengthening the competitiveness of certain sectors of the economy.
2. Formation of strong and self-sufficient segments of the market in separate branches of industry.
3. The willingness to the concentration of capital, factors of production and the territory under the jurisdiction of a competitive leader.
4. The need to reduce production costs in the expansion of production capacity and savings on transaction costs in the organization of the company.
5. Optimization of pricing policy, simplification of pricing and taxation processes.
6. The necessity to reduce risks and overcome the uncertainty of the economic environment.
7. The desire to maximize profits by saving resources and minimizing costs.

Experience of explorations in corporation development direction in recent years confirmed that annual sales of goods and services by transnational corporation (TNC) and their foreign affiliates had reached nearly \$7 trillion i.d. significantly higher than the global exports. Transnational corporations account about 7% of international technological exchange, "know-how", patents and licenses. Global accumulated investment volume of transnational corporations (parent companies and affiliates) has reached \$3.5 trillion and the total sales of their foreign affiliates are \$9.5 trillion. Such increase in trans-nationalization of the world economy was proved by the fact that the amount of internal and external accumulation of foreign direct investment had reached 1/5 of global GDP and exports of foreign affiliates of transnational corporations had reached 1/3 of world export. Statistics shows close relationship between the degree of international (transnational) business transactions and firm size, thus in the 90's XX century foreign transnational companies in the USA, Germany and Japan concentrated nearly 1/3 or 1/4 of all assets. Cross-border mergers and acquisitions at the beginning of the XXI century has reached about 3/5 (60%) of foreign investment and this process has been penetrated into the banking sphere [15].

Analyses of problems and failures abroad have shown that the techniques, practices, and methods that have proved effective in one country may not work well in other countries, and dominant interfering factor is business culture of transnational corporation. Each culture provides certain managerial benefits, differences enrich business world with knowledge we do not have, improve our judgment of reality, and teach different styles of working together.



The international operations of companies have brought executives in tight contact with business cultures of different nations. The importance of understanding cultures of countries in which a contemporary transnational company operates as well as similarities and differences between countries are obvious.

Taking into consideration these basic definitions of transnational corporations (TNCs) we mean an international group, which has its headquarters in several countries and balanced managerial system that can allocate resources, technology and responsibility among members of a company to shape its economic policy and overall strategy to achieve maximum profit.

Transnational corporation as a form of business belongs to an international association, which is based on equal and legal rights and obligations which are separated from the rights and obligations of the participants. TNCs in their organizational form are corporations with assets that are associated with common property. Such type of TNC is significantly different from its predecessors – the cartels, syndicates, trusts, whose members were owners of their capital. Thus, the process of transnationalization can be considered as business organizational formation known as corporation.

Business in a transnational company is far more complicated than in a company that does not operate internationally. What makes it difficult is the complexity of the international environment. In an international company, manager must monitor not only the changes in the environments of every country in which the company currently has operations, but also how these environments are likely to affect one another, as well as how the changes occurring in the global environment will affect the manager's domain.

Despite the sophistication and speed of contemporary communication systems, geographic distance between the parent and the foreign affiliate continues to cause communication distortion. Differences in language between the parent company and its foreign affiliates are also responsible for the distortions in communication, misunderstanding the communications habits of people in other cultures. Managers of different cultures interact but may block out important messages because the manner in which the message is presented may mean something different to the sending and receiving cultures. An international company derives its strength from being able to recognize and capitalize all opportunities anywhere in the world, and from its capacity to respond to global threats.

### **3. Environmental analysis as the leverage of reaching success in company's activity**

Environmental analysis focuses on discovery and evaluation of business opportunities, threats, problems, and risks associated with them. It involves the analysis of certain factors in the environment that could have a significant positive or negative impact on the operations of a firm. Environmental factors with a positive impact may create future opportunities whereas those with a negative impact may represent future threats, risks, and

problems for the firm. International environmental analysis is the conduct of this activity on an international scale. When a firm conducts an environmental analysis it should influence on the critical factors in the economic, political, legal, and cultural segments of the total environment in which the firm operates. However, in an international company, environmental analysis should be conducted on such different levels as: multinational, regional, country.

At the multinational level, environmental analysts at the company headquarters are concerned with the identification, forecasting, and monitoring of critical environmental factors in the world. The analysis is of a very broad nature and corporate environmental analysts may study the global technological developments or trends in governmental economies, or the overall changes occurring in the values and lifestyles of people in industrialized versus developing countries. Then the analysts would make judgments about the probable nature of these trends and the degree of impact on the internal operations of the company now and in the future.

Environmental analysis at the regional level focuses on a more detailed study of the critical environmental factors within a specific geographic area such as Western Europe, the Middle East, or Southeast Asia. The aim is to identify opportunities for marketing the company's products, services, or technology in a particular region. Analysts also research the types of problems that may occur and the appropriate strategies to counter them. Regional environmental analysis points out countries in the region that seem to have the most market potential; these become the focus of country environmental analysis.

Environmental analysis at the country level is concerned with a deep analysis of the critical environmental factors as economic, legal, political, and cultural in a small number of countries. In each country, an evaluation is made of the nature of the opportunities available questions may arise:

1. How big is the country market for our products, services, or technology?
2. How can the market be served by exports, licensing, contract manufacturing, or local production?
3. Which is the best strategy for entering the country market?
4. Can the country serve as a base for exports to other countries, including the company's home market?

Country analysis also identifies the nature of the potential threats, risks, and problems associated with each form of market entry. For instance, serving the local market through exports to it may carry with it the risk of government restraints in the future, such as higher tariffs or import quotas. Country environmental analysis must be oriented to each of the market entry strategies for it is meaningful for planning purposes. A suggested procedure for conducting this analysis is as follows: first, identify the critical external conditions or factors that must exist for the success of a particular market entry strategy; next, evaluate the critical environmental factors associated with each market entry strategy.

Evaluations of the critical environmental factors (economic, legal, political, and cultural) that can affect each form of market entry are made and recorded symbolically in each cell in the matrix. The individual evaluations in each cell may be "averaged" to arrive at a cumulative index of the quality of the critical environmental factors for each market entry strategy, thus permitting a comparison among them.

It must be stressed that the external environment is always changing and hence the critical environmental factors favorable at one time may become unfavorable later, and vice versa. Therefore, global, regional, and country environmental analysis must be done continuously. Moreover, the focus of such analysis must forecast characteristics of the critical environmental factors in the future so that the company may have sufficient lead time to make appropriate modifications in its strategies.

Planning in an international company is more complicated than in a company that does not operate internationally. What makes it difficult is the complexity of the international environment. In an international company, a manager must monitor not only the changes in the environments of every country in which the company currently has operations, but also how these environments are likely affect one another how the changes occurring in the global environment will affect the manager's domain. Global planning evolves changes in the external environment, particularly those over which the company management has little or no control, and changes in the internal environment of the company itself. International planning is concerned with the assessment of the multinational environment, determining the future worldwide opportunities and threats, formulating the global objectives and strategies of the enterprise and the internal audit of the enterprise's strengths and weaknesses. International planning includes the formulation of short- and long-term goals and objectives, and the allocation of resources as people, capital, and technology, information internationally to achieve the enterprise's global aims.

Managerial control is a process that evaluates performance and takes corrective action when performance differs significantly from plans. Using managerial control, any deviations from forecasts, objectives or plans can be located and corrected with minimum difficulty. Managerial control involves several management skills: planning, coordinating, communicating, processing, evaluating information, and people influence.

We can research four main elements in the managerial control process.

1. The setting of standards.
2. The development of monitoring devices or techniques to monitor the performance of the individual or the organizational system.
3. The comparison of performance measures obtained from the different monitoring devices to the plans in order to determine if the current state of performance is sufficiently close to the planned state.
4. The employment of effectuating or action devices that can be used to correct significant deviations of performance.

Thus we can see a close relationship between managerial control and planning. Managerial control depends on the objectives set forth in the tactical plans, which in turn are derived from the strategic plans of the organization. Tactical plans are for the short-term contributions of each functional area toward the strategic plans, goals, and objectives. Control and problems associated with it are more complex in a multinational company than in one that is purely domestic because the multinational one operates in different cultural, economic, political, and legal environment. International economic systems, increased globalization of markets turn our world into one large interdependent market system in which people, goods, technologies, money and ideas migrate. International business is of great importance in most countries and that importance continues to grow. But different countries with various cultures decide differently and have different expectations about economic problems, and how economic decisions should be made and implemented. Even in the epoch of globalization integrated American and Western management approach to economic processes does not fit well for all countries worldwide.

Multinational companies use several forms of monitoring devices to control their foreign subsidiaries. Among the so-called direct controls commonly used are periodic meetings at the headquarters between subsidiary and regional heads and corporate executives; visits by corporate executives to foreign affiliates; staffing subsidiaries by home country nationals, and the organizational structure. Indirect controls include such devices as periodic reports from subsidiaries, detailing their performance for the given period; a whole range of financial controls, such as budgetary control and financial statements; and financial ratios that depict the financial health of an operating unit. Most companies use profits and return-on-investment figures as the two dominant criteria to evaluate the performance of subsidiaries. However, these measures may not accurately reflect the real performance level of a subsidiary because corporate or regional managers, not the subsidiary manager, make many significant decisions that affect the subsidiary's performance. Besides there are several forces in the subsidiary's environment which the subsidiary manager cannot control and which significantly affect, favorably or unfavorably, the subsidiary's performance. Therefore, the profit-and-loss statement or return on investment of a foreign subsidiary should be adjusted to reflect its actual performance by removing from consideration positive or negative results that were due to forces or factors beyond the control of the subsidiary manager.

Problems are also caused by misunderstanding the communications habits of people in other cultures. Managers of different cultures may interact and yet may block out important messages because the manner in which the message is presented may mean something different to the sending and receiving cultures. For example, a manager may make a wrong judgment about a subordinate's performance because he or she is unaware of culturally different communications habits. Cultural distance is as significant as geographic distance in creating communication distortions. Lack of understanding and acceptance of the cultural values of a group may impair a manager's ability to evaluate information accurately, to judge performance fairly, and to make valid decisions about this performance.

This failure could create problems in a multinational company in the area of employee performance appraisal.

Thus multinational operations of companies have brought executives in face-to-face contact with the cultures of different nations and regions. The importance of understanding the cultures of countries in which a company operates, the similarities and differences between cultures-becomes clear when we look at insensitivity to cultural differences. Investigators who have studied the performance and problems of corporations and individuals abroad have concluded that it is usually the human problems associated with working in a different culture that are likely to be critical in the success or failure of their endeavors. Analyses of problems and failures abroad have shown that the techniques, practices and methods that have proved to be effective in one country may not work in other countries.

Misunderstanding between foreign departments of international corporations in cases of cultural differences can be avoided due to exact and structural planning of productive, technological, commercial processes as well as working time structuring. Planning is one of the basic functions in the management process. Every manager must have plans so as to reach maximum organizational effectiveness. Planning involves the assessment of the environment for opportunities and threats of the foreseeable future, evaluation of the strengths and weaknesses of the enterprise, and the formulation of objectives and strategies designed to exploit the opportunities and combat the threats. "Planning is the design of a desired future and of effective ways of bringing it about, a process that involves making and evaluating each of a set of interrelated decisions before action is required, in a situation in which it is believed that unless action is taken a desired future state is not likely to occur, and that, if appropriate action is taken, the likelihood of a favorable outcome can be increased," – says Russel L. Ackoff [1]. All planning is concerned with the future; it is concerned with deciding what an enterprise wants to be and wants to achieve how to attain these aspirations, allocate resources, and implement designs.

Problems of poor planning point out the acute need for the development of a strategy for international business operations. A company that is considering foreign market opportunities should begin by asking the following basic questions: Should we go international? How soon should we embark on our first venture abroad? What is the best way of exploiting the foreign opportunities? Although on the surface it may appear that there are many business opportunities abroad, it is important to recognize that such opportunities vary significantly among industries and individual firms. Different firms have unequal abilities to exploit foreign markets successfully. The assessment of the international opportunities and of the strengths and weaknesses of the resource base should permit the company's management to define the scope of the international business involvement. The next step is to formulate the companywide international business objectives; this is followed by the development of pertinent international corporate strategies aimed at achieving companywide international business objectives.

Sustainable work planning and distribution of working time of company's departments provide continuity of supply-side processes that will lead to the substantial decrease of downtime quantities and potential income of the company will be therefore increased. Proper timing of entry into foreign markets can make the difference between success and failure of a foreign venture. Establishing production facility before the market is large enough to support the required volume for optimum plant utilization results in excess plant capacity and higher per unit production costs. But to wait too long is always equally undesirable because the first entrant in the market has the distinct advantage of being able to capture a huge share of the total sales volume. The experience of many companies has shown the difficulty in taking sales and market share away from a competitor who already has a large proportion of the total market. Absence of effective planning may result in the company's allocating its resources to ventures that may not represent the best among the available global market opportunities. For example, a company that does not have a formalized program for the evaluation of foreign market opportunities is not likely to discover the best ones among the many available; it can make investment abroad merely because the prime opportunities were never identified as such. A multinational company derives its strength from being able to recognize and capitalize on opportunities anywhere in the world, and from its capacity to respond to global threats, to business operations. The objective of managerial control can ensure that plans are being implemented correctly.

### **Conclusions.**

International economic systems, increased globalization of markets turn our world into one large interdependent market system in which people, goods, technologies, money and ideas migrate. International business is of great importance in most countries and that importance continues to grow. But different countries with various cultures decide differently and have different expectations about economic problems, and how economic decisions should be made and implemented. Even in the epoch of globalization integrated American and Western management approach to economic processes does not fit well for all countries worldwide. Contemporary international business is a business relationship between economic operators in different countries. Only deep understanding of international operations for organizations and enterprises can allow understanding the nature and specifics of international business. Taking into consideration the strengthening processes of world economic globalization we can point out main tendencies in the sphere of international business. These tendencies are:

1. Enormous scale of operations of global companies.
2. Decentralization of management in global companies.
3. Economic integration of countries of Eastern and Central Europe.
4. The sharp increase in the mergers and acquisitions of small and medium-sized firms by multinational corporations and attraction of small businesses to foreign economy and foreign trade.
5. Establishment of international strategic alliances.

6. Development of international alliances' networks.

Such trends can be considered as willingness of representatives of international business to integrate into economic society and to strengthening of globalization in the world economy.

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## **BUSINESS STRUCTURES, AS NEW FORMS OF INSTITUTION, IN CONTEXT OF THE CIVIL SOCIETY DEVELOPMENT**

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**Abstract.** *The key role of civil society in shaping a democratic state is determined. The essence and structure of civil society institutions are determined. It is proved that in addition to existing institutions, in modern civil society new forms of institution - business structures have been formed. The essence of the definition of the concept "business structure" is characterized and their classification is described. The difference between business structures from traditional enterprises is revealed. It is systematized as a prerequisite for the formation of such structures in a market economy. The factors of influence of business structures on the development of civil society are generalized. It is proved that modern business structures, as powerful integrated systems of self-governing economic entities of various organizational and legal forms operating in a market environment or in a global Internet network (network business structures), have a decisive, positive and negative impact on development of civil society in the state.*

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**JEL Classification: F01, F02, F23, L26**

### **Introduction.**

Civil society is one of the main elements of the establishment of a democratic state [27]. It plays a key role in the management of public affairs, the solution of issues of local importance, the development and implementation of effective public policies in various areas of social life, the establishment of a responsible democratic, social and legal state; solving political, socio-economic and humanitarian problems. [15, p. 109].

A new stage in the development of civil society in Ukraine was the result of the 2014 Ukrainian Revolution of Dignity. The public has shown a powerful influence on social transformations in the state, has become a moving force of transformation and renewal of power in society. The most important tasks of modern Ukrainian society were the formation of a new civil society and the restoration of a powerful economy in the country.



To ensure the fulfillment of these complex tasks, the Presidential Decree №68/2016 "On promoting the development of civil society in Ukraine" consolidates the basic foundations for the formation and development of civil society, which has a broad-based structure of institutions. A special role in these processes is played by business structures, such as the evolutionary form of enterprises, which is the leading link in the Ukrainian economy. Their activity has a decisive influence not only on the further development of the economy, but also on the development of civil society in the state.

Evaluating the place and role of entrepreneurial structures in the context of the development of civil society institutions in Ukraine, clarifying its essential features and characteristics will reveal their influence on the formation and development of civil society in the country. Therefore, an important task under the current conditions is to develop a scientific basis for identifying the priorities of activating the activities of business structures in a civil society.

### **1. The essence of civil society and its components**

The main component, the moving force of all democratic legal states of the world is a developed civil society. By definition [11], civil society can be considered as a self-regulated and self-regulated sphere of public-legal relations in a state formed by free and equal individuals and associations of citizens created by them, which function by forming social capital and control over state authorities, serve as the basis democracy and a determining factor in the development of a state governed by the rule of law.

This category describes the system of public relations in the state, which are formed, developed and stopped between different participants in this process. That is, civil society can not be identified with any one subject of public-legal relations [11] and has a complex, branched structure. The EU government's White Papers treats civil society as "uniting mainly organizations themselves formed or formed under the leadership of non-governmental organizations, professional associations, charitable, initiative, organizations that encourage socially active life at the district and city level, sometimes with the contribution of the local church and its community" [7].

The foundations of modern civil society are institutions of civil society. The Institute of Civil Society is a subjects that, are in the course of its activities form the social relations directed at the establishment of civil society; institutes that unite in their composition the norms of the constitutional and other branches of law that regulate social relations in the corresponding sphere and serve as constituent elements of the multidimensional system of constitutional law of Ukraine; a generic name for all organized and structured expressions of civil society, etc. [11].

In Ukraine, civil society institutes are often referred to as "the public", but it is not worthwhile to identify them, because the public has a broader term than the term "civil society institutions" [18, pp. 38-40].

The classification given in [7] to civil society institutions include: a non-governmental organization (in English NGO); private voluntary organization (in English PMO); public organization; community; intermediary organization of volunteers; extra-budgetary organization; public foundation; local community clubs; trade unions; association of citizens on cultural, genders and religious grounds; charitable organization; social or sports clubs; cooperatives; environmental organization; professional association; academy; private business; legal institutions; consumer organizations; mass-media; voluntary squad; religious organizations; clubs by interests.

According to the current legislation in Ukraine, civil society organizations include: public organizations; religious organizations; charitable organizations; trade unions; unions of trade unions; creative unions; associations; employers' organizations; non-state media; other non-business societies and institutions legalized in accordance with the legislation of Ukraine [23]. In the studies of Smovzhenko T. to the classification of civil society added social movements, political parties, territorial communities, elements of the judicial and law-enforcement system, which are dependent on the public. Also, in a certain aspect, the author refers here elections, referendums and public initiatives, when they serve as means of forming and revealing public opinion and protection group self-organization interests and function as civilian communities [26]. The author also refers to the civil society institutions as formal and informal organizations, namely, industrial and commercial associations and networks. According to Smovzhenko T. [26], civil society is being formed not only institutions, but also a certain type of culture that has been formed in society.

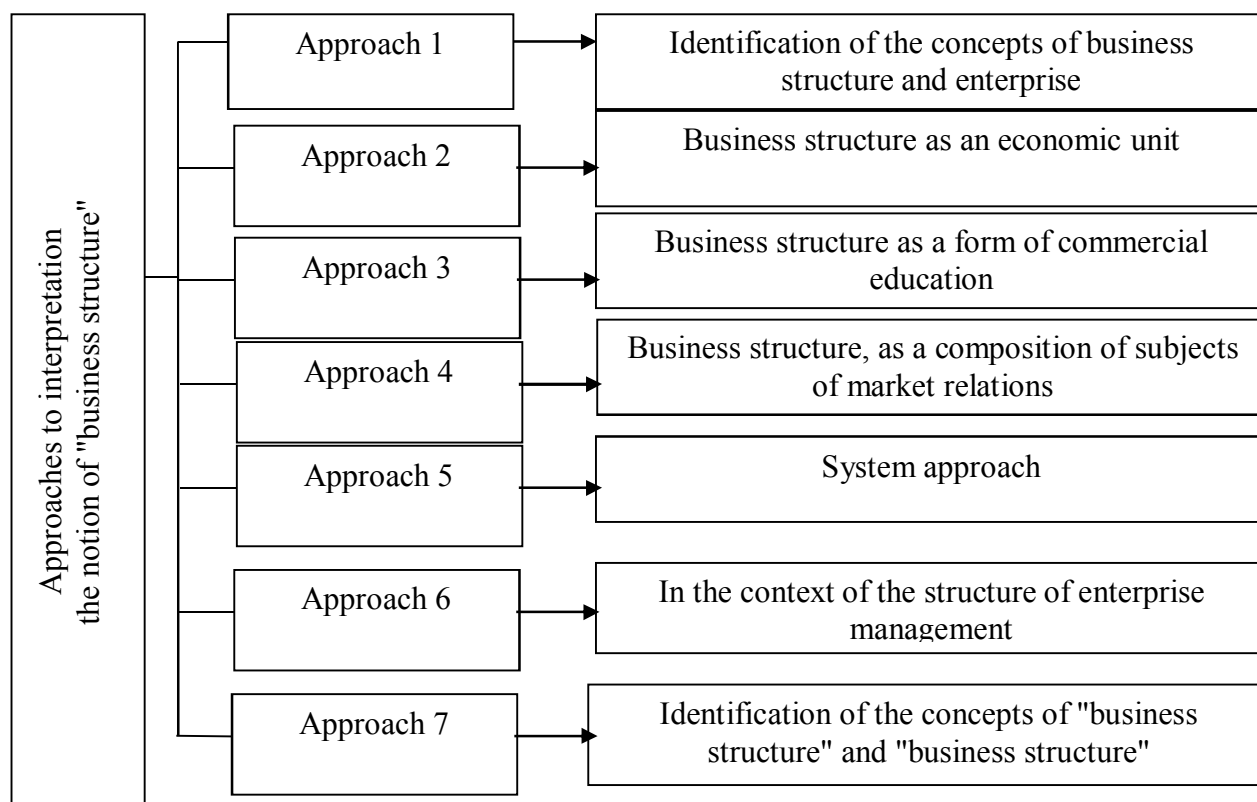
According to Article 1 of the Constitution of Ukraine, which was adopted at the fifth session of the Verkhovna Rada of Ukraine on June 28, 1996 [12], Ukraine was recognized as a sovereign and independent, democratic, social, and law-governed state. Formation of a democratic state is the most important direction of development of Ukraine, one of the main tasks of which is the formation of civil society and institutions. For build of a new state, the definition of Ukraine as a democratic, and the necessary objective and subjective prerequisites, factors for the construction of such statehood in the territory of Ukraine [13] and the creation of appropriate business structures are not enough at the level of the Constitution.

## **2. The essence of the definition of the concept of "business structure"**

"For successful activity in the modern dynamic world" and the formation of a democratic society "organizations and the state need to have the fourth or fifth level of development" (technological organization) [30]. At present, Ukraine's economy is basically at the level of the third-fourth technological organization. According to analytical materials to the parliamentary hearings "Strategy of innovation development of Ukraine for 2010-2020", in Ukraine, the enterprises of the III technological organization accounts for 46% of their total, IV - about 50%, V - 3%, and innovation activity does not change the technological organization of the economy, preserving it [10, p. 54].

The transition of Ukraine to a higher level of technological development can only be achieved by an effectively functioning market economy, the leading links of which are competitive enterprises, as business entities. The restructuring of the Ukrainian economy and the formation of a market economy system "led to the formation of new structures that contribute to the formation of market mechanisms of economic activity, the development of economic competition, the growth of production efficiency, the growth of investment and innovation potential" [5, p. 166-170]. Such new structures are business structures.

In general, the term "business structure" is widely used by domestic scientists as a generalizing concept. By definition, one part of the scientists, the term "business structure" is identified with the term "enterprise", while the other part invests in this concept a much broader meaning. In Ukraine, at the legislative level, this concept is not used. In domestic and foreign scientific literature, there are no approaches to the interpretation of this concept. Therefore, it is first necessary to investigate the definition of the concept of "business structure" and define approaches to its interpretation (Fig. 1.).



**Fig. 1 Approaches to the interpretation of the concept of "business structure"**

The first approach. Identification of the concepts of business structure and enterprise.

Most domestic scientists consider that an enterprise, functioning in a market economy as a business entity, and is an business structure [19].

That partly coincides with the classical definition of the enterprise. The enterprise itself is an independent economic subject, which ensures the production of competitive products, implementation of works, services that satisfy needs of consumers and society.

The features of the creation, operation and liquidation of enterprises in Ukraine are enshrined in the Commercial Code of Ukraine, which states that an enterprise is an independent economic subject created by a competent authority of state power or a local self-government body or other subject to satisfy public or private needs through the systematic implementation of industrial, research, trade and other economic activities [6].

The second approach. Business structure as an economic unit.

According to this approach, researchers consider an business structure as an independent economic unit, a main link in the economy. So, by definition, Tkacheva I.E. and Ropotan S.V. a business structure is an independently functioning economic unit whose activities are subject to the laws of entrepreneurship and consists in the constant search for an optimal form of compliance with market requirements at a specific moment in the development of the market [24, p.114-117; 13, 29, p.98]. This approach, as the first approach, identifies the concept of "enterprise" and "business structure", only emphasizing the aspect of their economic independence.

The third approach. Business structure as a form of commercial education.

Business structure, as a form of commercial education, carries out business activity in order to profit. Such activity is legalized. So, by definition, Koshelev V.M. an business structure is a legal form of a commercial entity engaged in entrepreneurship on its own behalf, that is, it derives profits from the results of its activities [33].

This approach, as well as previous approaches, identifies the concept of "enterprise" and "business structure", only focusing on the aspect of their business and registration as a legal entity.

Fourth approach. Business structure, as a composition of subjects of market relations.

According to this approach, a business structure is understood to mean a certain group of subjects of market relations whose purpose is to obtain business income. By definition I.N. Gerchik business structure is a composition of subjects of market relations, which include only those organizational and economic units whose purpose is to generate profit as the final result of activities [32.]. Gershank G.A., Shishkin D.G. clarifies the concept of a business structure, including to such structures only those organizational and economic units whose purpose is to generate profit (business income) as the final result of activity [2, p. 63-69].

This approach is based on the necessity for profit or business income as the main goal of business structures.

Fifth Approach. System approach.

The application of a systematic approach makes it possible to carry out a complex study of a complex object - a business structure, as a single integral system in an inextricable connection with all its constituent elements. Such a structure is a self-financing and self-financed system that should provide cost-effective activity [28].

Krivenko L., Krivenko S. support this idea, considering that business structures should be characterized as a system object that has such properties as integrity, hierarchy, integrability [16, p.51-62]. By definition, Glushich D.A. and Orlova A.V. business structure is a structure whose activity is the rational use of factors of production for the creation of a qualitatively new product, as well as profit, the use of technical progress, which is associated with the emergence of various risks, while responsibility is entirely economically. Foreign researchers distinguish two main approaches to the definition of "business structure":

1. In the context of the structure of enterprise management [14].

According to this approach, the concept of "business structure" is identified by researchers with the organizational structure of the enterprise. This is due to the possibility of double interpretation and understanding of this term inherent in the Ukrainian language: the business structure is the structure of the enterprise.

In our opinion, the identification of these two concepts is inappropriate. It is necessary to distinguish between the terms "business structure" and "enterprise structure" (or "organizational structure of the enterprise"). Thus, Article 64 of the Commercial Code of Ukraine gives a clear definition of the organizational structure of the enterprise, as a composition and the ratio of its internal units (shops, sections, divisions, laboratories and other units) that constitute a single economic object [6]. That is, the organizational structure of an enterprise is its internal structure. Distinguish the general, production and organizational structure of the enterprise. And the business structure is the composition of the subjects of market relations, the purpose of which is to generate profits, and each subject as a part of the business structure has its own internal structure or organizational structure.

2. Identification of the concepts of "entrepreneurial structure" and "business-structure" [14].

It should be noted that in Ukraine, the concept of "entrepreneurship" is often identified with the notion of "business" and is considered synonymous words. According to Varnalia Z.S., entrepreneurship is a special type of business, where the main subject is the entrepreneur, who rationally combines the factors of production on an innovative basis and own responsibility, organizes and directs production for the purpose of obtaining business income "[1]". The essence of entrepreneurship is the formation and implementation of a new idea, which can be implemented in the form of new technologies, goods (works, services) in order to meet the needs of society. In Western countries, entrepreneurship is seen as a particular type of business, based on the search for new opportunities for goods and services based on innovation and the ability to attract resources from a variety of sources [21].

Along with the term "entrepreneurship" is used general economic term "business", which characterizes the scope of the business entity and its economic interests, the case in one or another field of entrepreneurship, when in the presence of a certain risk achieved commercial success is achieved. By definition, the economic vocabulary business (English

business) - is the activity aimed at obtaining profit by creating, manufacturing and marketing of certain products or services or business, employment, entrepreneurship, economic activity, aimed at profit [8, p. 24].

According to the above definitions one can conclude that business is a notion broader than entrepreneurship, and business activity is a part of business. At the same time, business can be entrepreneurial. By definition, the Explanatory Dictionary economist business entrepreneur - a business whose object may be production of products, services, trade, commercial and intermediary activities. All that can satisfy needs of consumers and is offered for the purchase on market, use, consumption, in order to obtain business profits [4, p.81]. The basis of any business is the so-called business structures. Business structures are structures that help create an effective business climate, provide an appropriate level of competitiveness, meet the needs of the population and raise both the economy of the region and the state to the corresponding level [9, p.299-301]. Accordingly, the basis of entrepreneurship are business structures. By definition of I.V. Tyrpak, V.I. Tyrpak, S.A. Zhukov business structure is a group of people whose activities are deliberately coordinated to achieve common goals [20]. The diversity of approaches to the interpretation of the concept of "business structure" is due to the fact that each scientist has his own view on this concept and, accordingly, uses it for certain research purposes.

The essence of a business structure that distinguishes it from a typical enterprise lies in the fact that the main emphasis of the activity of such education is directed at the search and implementation of innovations, constant innovation development and entrepreneurship, which will ensure the stability of profits.

The prerequisites for the formation of such structures in a market economy are:

1. The gradual development of human civilization and the invention of all the better new tools of work, caused by industrial revolutions and the change in technological processes.

2. Change in the views on entrepreneurship from the creative activity of one entrepreneur to the collective work of talented people and the introduction of the concept of "collective entrepreneur", which is caused by an increase in the scope of project activities in the enterprise, which can not be implemented by one person.

3. The need for a constant search for ways to increase the efficiency of activity, competitiveness and sustainable development of modern enterprises in an unstable and dynamic environment, complicated by globalization processes.

Thus, a business structure is the voluntary integration of self-governing economic entities of various organizational and legal forms into a united, integrated, open system that functions in a globalized environment with the aim of developing and commercializing innovative products, which increases the efficiency of activities and accelerates the development of business entities forming a business structure.

Data from the Statistical Yearbook of Ukraine give a generalized picture of the total number of registered enterprises in the country in different years, without distinguishing individual business structures. Because the concept of "business structure" in Ukraine is not legally prescribed, and therefore does not analyze. But, if we consider that the business structures are large and medium enterprises, then we obtain the following data (Table 1):

**Table 1. Total number of business structures in the total number of registered enterprises in Ukraine for the period of 2010-2017.**

Year	Total registered enterprises	Business structures				Enterprises			
		Large	Medium	Total	%	Small	Micro-	Total	%
2010	2183928	586	21338	21924	1,00	68316	2093688	2162004	90,00
2011	1701620	659	21059	21718	1,27	71083	1608819	1679902	98,73
2012	1600127	698	20550	21248	1,32	68103	1510776	1578879	98,68
2013	1722070	659	19210	19869	1,15	65021	1637180	1702201	98,85
2014	1932161	497	16618	17115	0,88	55159	1859887	1915046	99,12
2015	1974318	423	15510	15933	0,80	47555	1910830	1958385	99,20
2016	1865530	383	14832	15215	0,81	43459	1806856	1850315	99,19
2017	1805059	399	14937	15336	0,84	322920	1466803	1789723	99,16

*Source: summarized for [22]*

Note that this division is somewhat arbitrary, because not all large and medium enterprises are engaged in entrepreneurship and constant innovation activity, that is, they fully correspond to features inherent in business structures, which distinguishes them from the traditional enterprise. As of 2017, the number of business structures in the country is less than 1%, which is primarily due to the crisis processes in the country's economy.

### **3. Influence of business structures on the development of civil society.**

It has been proved (according to Neeraa Chandok's research) that in emerging societies, new democracies, any organization that can positively influence society's influence on the government can be seen as a component of a emerging civil society [7].

At the same time, any organization can not only have a positive influence on the government and the public. According to Smovzhenko T., in a civil society, virtually any activity of an economic agent (individual citizens, firm, and state) is accompanied by planned and also neglected consequences in making decisions that the author called "external effects" or "negative" and positive externalities "[26]. It follows that any organization may also have a negative influence on the government and the public, especially if it puts the benefits of society and the state at the forefront of enrichment and reception. It is from these positions that the foundations of the shadow economy are formed.

Modern business structures, as powerful integrated systems of self-governing economic entities of various organizational and legal forms operating in a market environment or in a global Internet network (network business structures), have a decisive influence on the development of civil society in the state. Let's consider in greater detail such an influence, which, as stated above, is "external effects". The positive influence or "positive externalities" of modern business structures on civil society and the state can be attributed to:

1. Satisfying the needs of society in new technologies, innovative products, works, services that help improve people's lives and increase the level of comfort. For example, the distribution of mobile communications by leading entrepreneurial structures such as Kyivstar, Lifecell, Vodafon and others allowed people around the clock to communicate around the world and improve communications in the community.

2. Increasing the level of public welfare at the level of an individual city, region, state as a whole. For example, the introduction of online payments through the global MasterCard, Visa, American Express, established by leading US business structures and other structures, accelerates settlement and enables businesses to operate globally.

4. Creation of new jobs and industries, which contributes to reducing unemployment in the state and contributes to reducing the level of conflict in civil society. In Ukraine, for example, such world business entities as McDonalds, Nestle, Danon, Nike and many others have opened their affiliates. These structures are large foreign investors in the country's economy. Thus, McDonalds Ukraine Ltd., since its inauguration in 1997, has invested about \$ 225 million in the development of McDonald's network and infrastructure in Ukraine [17].

5. Formation of a new culture of consumption and communication in society. For example, the invention of the Internet and the creation of social networks (the Youtube social network, established in 2005 by the Google Network Enterprise - the leading US multinational public corporation and other networks) has enabled users to communicate online at any time and anywhere in the world, which accelerated the process and formed a new culture of communication between people in society.

6. Formation of new social values, thoughts and outlooks. Modern business structures, as powerful global integration formations, with significant volumes of resources (including financial ones) promoting their goods and services, have an impact on the formation of new social values.

7. Supporting the public in defending their rights in society through the provision of assistance (including financial) for the creation and development of various political parties, movements, the media, charitable organizations, trade unions and other civic organizations in the country. Through such public organizations, modern business structures, on the one hand, carry out charitable support, and on the other hand, they gradually form their desired public opinion in society. In Ukraine, the support of business structures of political parties and movements is particularly widespread.



To the negative influence or "negative externalities" of modern business structures on civil society and the state should include:

1. Impose not typical or contradictory values, the formation of other traditions and own culture in a civil society that dominates the traditions and culture historically existing in this country. For example, McDonalds, a global business entity operating in Ukraine since 1997 where its production is located, has launched a new type of food in the community together with the opening of a chain of fast food restaurants. Now burgers and other fast food compete with the traditional Ukrainian menu. The same applies to the very popular pizzas in Ukraine. Along with the new for the domestic market products came American and Italian traditions, and, of course, dominated by "American values."

2. Forcing consumers and society to use technologies (products, services) of this particular business structure. For example, the Windows operating system, the developer of which is a world-known business entity - Microsoft Corporation, founded by Bill Gates. The first version of Windows 1.0 was released in 1985. It's already in the sale of Windows 10, which began selling in 2015. During this period, other operating systems were also developed, for example, the operating system "Linux", developed by Novell. But it is not well-known and did not become popular like Windows. Moreover, these two operating systems were incompatible with each other and the consumer had no choice but to choose a more popular Windows operating system which all software was configured for. In 2006, these two competing operating systems signed a cooperation agreement. As a result of the agreement, the shares of Novell rose in price by 16% [25], and Microsoft has eliminated a powerful competitor.

3. Eliminate national producers of similar products and services from the domestic market, occupy a dominant monopoly position at the market, use non-transparent rules of conduct in domestic markets, and carry out measures of unfair competition, which contradicts the current anti monopoly legislation in Ukraine. These measures contribute to the closure of domestic enterprises that are not competitive, increase the unemployment rate in the country, cause mass migration of economically active population abroad and increase the instability of civil society in the country.

4. Affect the government and civil society, demanding economic privileges and tax rebates for a significant positive contribution to the development of civil society, which is the result of entrepreneurial activity in the context of corporate social responsibility of the business.

5. Using production technologies that pollute the environment or use environmentally hazardous raw materials, violating the existing environmental norms and norms in the country, transfer the production of environmentally hazardous products to third world countries. This causes massive environmental protests and strikes that aggressively tune in to civil society. Such strikes may in the future become a moving force for more powerful protests against the government, accusing the government of lobbying for the economic interests of business entities.

6. Integrate with the government of the country, using "shadow schemes" of enrichment, bribery, bribes, etc., for lobbying for their own economic interests of business structures, maintaining a monopoly position on the national market and quickly obtaining extra profits. These measures raise public indignation, increase negative contradictions and increase the instability of civil society in the country and may become the driving force of more powerful protests against the government, his accusations of lobbying for the economic interests of business structures.

7. Integration of several powerful business structures can lead to the formation of a "shadow government" in the country, in the event that civil society and the state will not take timely measures of counteraction, "when the private interests of politicians and civil servants in decision-making prevail over the interests of citizens and society "[26].

### **Conclusions.**

Despite the negative effects ("negative externalities") of the impact of modern business structures on civil society and the state, the number of such structures in Ukraine and the world will increase annually, and their impact on civil society will only intensify.

To date, Ukraine has only few large business structures (less than 1%), which is associated with crisis processes in the country's economy. This is one of the factors why the country is weak in the Doing Business rating. So, if in 2018 Ukraine occupied the 76th place in the rating, then in 2019 it rose to five points to 71 place. The pace of positive changes in business was + 0.94% per year. However, Ukraine is included only in the category of "Easy leading business". According to the rating of 2018, no major Ukrainian business has yet entered the world ranking of 500 most influential business entities - the transnational companies of the world "Fortune Global", which annually publishes the Forbes magazine. The rating includes only those global corporations, whose sales amount is not less than 1 billion dollars. and the value of which stocks is at least \$ 5. per unit, and also available to investors from the US [31]. Leading places are held annually by such powerful global business structures - global enterprises like Wal-Mart Stores Inc. (USA), Royal Dutch Shell (Netherlands), Exxon Mobile Corp. (USA). In the coming years, further development, effective management and integration of large business structures and "the use of different ways of influencing - from informal networks to the threat of reputation of the country in the field of international relations" [26] to civil society and the state will strengthen their dominant position in the relevant world industries.

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## **EVALUATION OF THE RESULTS OF THE FOREIGN ECONOMIC ACTIVITY OF THE ENTERPRISE BASED ON THE BALANCED SCORECARD**

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**Abstract.** *The conducted research is devoted to the problems of evaluation of the effectiveness of foreign economic activity of the enterprise. The relevance of the study is due to the need to introduce new methodological tools in this process, which will improve the existing model of evaluation of FEA "costs-benefit" based on the introduction of a systematic approach. Using the system of balanced scorecard will allow to evaluate all areas of foreign economic activity of the enterprise in terms of prospects of finance, clients, knowledge and training, and internal processes comprehensively with further distribution of economic indicators to the resulting and baseline indicators. This distribution will help to focus the company on key processes and improve the information management decision making system. The obtained results of the research indicate that the result indicators of the key areas of foreign economic activity of the enterprise are the following: net profit from foreign economic activity, the volume of sales of new foreign goods to new foreign customers, the volume of exported products, the number of projects submitted by the personnel, the price of sales of products and the number of employees who went through the specialized teaching. All other indicators included in the Balanced Scorecard in this study are of an auxiliary nature. Thus, the overall effectiveness of an enterprise's foreign economic activity depends on the capacity of the external market and the intensity of competition, the innovation of the export-oriented production of the enterprise and the human capital of the enterprise. It is on these key success factors proposed to focus on modern enterprises.*

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**JEL Classification.** C51, D33, D61, L20

### **Introduction.**

The current state of international business is characterized by increasing involvement of participants in the field of international economic relations. Making a positive impact on the formation of the country's export potential and increasing the competitiveness of goods in world markets can form a rational structure of export-import trade relations of the country, promote foreign investment in the redevelopment of production facilities and the introduction of new business projects. The formation of a range of high-tech competitive products and the complication of international economic relations, taking into account the

complex requirements for the formation of a modern international business model, necessitates the development of new approaches to assessing the effectiveness of foreign economic activity, which will allow introduction of a systemic approach in the field of assessing the effectiveness of foreign economic activity. The analysis of scientific works on the outlined problems has shown that in the domestic and foreign literature there is some progress in determining, assessing and improving the efficiency of the foreign economic activity of the enterprise.

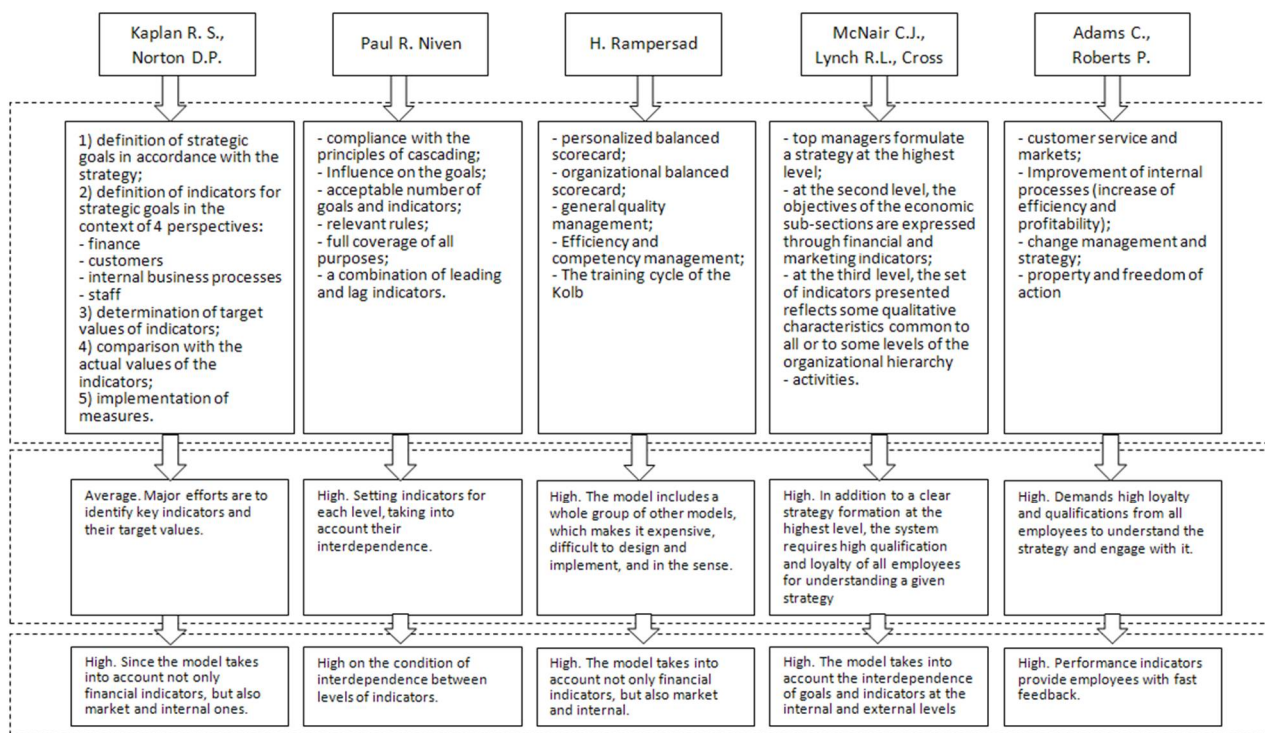
To evaluate the effectiveness of foreign economic activity, A.Vichevich and O.Maksimets distinguish national and regional indicators, that is, those that can be used to analyze the activity of a region or industry [17]. According to L. Lisova, in order to assess the foreign economic activity of the region, some other indicators should be used which have a more simplistic view, but rather accurately determine the effect of this type of activity and separately indicators of the structure of foreign economic relations are distinguished: commodity, geographical and institutional structure of foreign economic relations [5]. O. Maslak and V.Zeughha note that, in addition to quantitative and qualitative, absolute and relative, for the analysis of foreign economic activity, it is necessary to use the cost - represented in monetary terms, natural - presented in physical quantities [6]. However, O. Hrebelnik believes that for the analysis of the functioning of foreign economic activity, it is necessary to allocate additionally: general trade; special trade; re-export and re-export [3]. Harkusha notes that the economic substantiation of the decisions taken on the management of foreign economic activities of enterprises is carried out by calculating various indicators of economic efficiency, and we make the assessment of efficiency on the basis of accounting reports [2]. The scientist I. Skoropad in the method of studying the efficiency of foreign economic activity of the enterprise proposes to determine the efficiency of export and import operations through the calculation of the efficiency of alternative import or export options [15]. The basis of the Miroljubova method is the calculation of the aggregate of indicators such as the absolute efficiency of exports, the economic efficiency of realization of export products in the domestic market, as well as the efficiency of utilization of production and circulating assets during export [8]. O. Shkurupii in his works highlighted the indicators of the effect that characterize the absolute value of the economic effect and are recognized as the difference between the result and the cost [14]. Tyurina N. notes that one of the parameters for determining the effectiveness of the export business of the enterprise is the currency efficiency [16]. Ponomarenko considered in his works the problem of the enterprise in determining its competitiveness [11, 12]. Robert Kaplan and David Norton developed the concept of BSC as one of the most important tools for strategic management accounting that was further developed in the works of other researchers [4]. The peculiarity of the method of formation of BSC P. N. Niven's is the implementation of the process of "cascading" [9]. H. Rampssad forms a universal system of indicators for managing quality, performance and competencies [13]. Ya.O. Poliakova

investigated the methodical foundations for the formation of a balanced system of indices of the industrial enterprise [10]. K. McNair, R. Lunch and K. Cross introduced a model of a well-balanced system of indicators called "Pyramid of Efficiency" [7]. Suggested by Christopher Adams and Peter Roberts, the model is called ER2M [1]. The scientific works of the above-mentioned scientists outline the main approaches to determining the economic essence of the concept of "effectiveness of foreign economic activity" of the enterprise, the formation of factors influencing it, and the methods of its evaluation. Most researchers consider the assessment of the effectiveness of an enterprise's foreign economic activity as a comparison of the result obtained as a result of such activity and the costs incurred or the evaluation based on a system of financial indicators.. However, the problem of formalizing the management of the effectiveness of foreign economic activity on the basis of the system approach, which will allow to conduct a comprehensive assessment of the effectiveness of the foreign economic activity of the enterprise. Therefore, the purpose of this study is to substantiate the methodical tools and to determine the semantic content of the balanced scorecard system of the assessment of the effectiveness of the industrial enterprise in the field of foreign economic activity.

### **1. Characteristics of conceptual models of the formation of a balanced scorecard system**

Implementation of the system approach in the process of assessing the effectiveness of foreign economic activity is based on the formation of a set of indicators in the basic directions of the implementation of foreign economic activity of the enterprise. Formalization of implementing a systematic approach to the assessment process is appropriate to carry out on the basis of a balanced scorecard. The implementation of the balance scorecard system in the assessment of the effectiveness of the foreign economic activity leads up to separation the strategic and tactical management levels, which requires the development of the new concept of management of foreign economic activity and the methodology for its evaluation. Balanced Scorecard (BSC) – is a mechanism of consistent bringing to the personnel the key factors of the success, strategic goals of the enterprise and control its achievement through performance indicators, which are the meters for achieving the goals of the enterprise, as well as characteristics of the effectiveness of business processes and results of work at the individual level. Therefore, BSC is an instrument that allows to make a formal combination of strategic and tactical control subsystems. Among the scientists who studied the BSC worth noting research are of Kaplan R. S., Norton D.P., Paul R. Niven, H. Rampersad, McNair C.J., Lynch R.L., Cross K.F., Adams C., Roberts P. [5, 10, 14, 8, 1]. The comparative characteristic of conceptual models of BSC is presented in Fig. 1.





**Fig. 1. Comparative analysis of the characteristics of conceptual models of the balanced scorecard [5, 10, 14, 8, 1]**

The Norton-Kaplan model is recognized as the most demanded in the practical activity of enterprises (Balanced Scorecard, R. Kaplan, D. Norton) [5]. The main idea of this BSC model is to transform the strategy into a targets for specific business areas in the form of key indicators. The Norton Kaplan methodology includes three main steps and procedures that provide them: development of a strategic map; drawing up a tactical map of balanced indicators of foreign economic activity; implementation of planning processes, information gathering, tracking of actual values of indicators and control. However, the essence of this concept is to determine the causal relationships between individual financial, non-financial indicators and elements of foreign economic activity of the enterprise. The logic of the relationship between individual indicators is *the essence of the implementation of this "balancing"* [5]. In search of overcoming problems concerning the balance between indicators and divisions and foreign economic activity in the BSC, the development of key benchmarks is proposed, which is phased and covers four main areas (perspectives): international finance, customers in foreign markets, internal business processes, training and development. Consequently, as a result of the development of a strategic map of the BSC, a system of metrics based on a "goals tree" is formed. This "goals tree" allows you to get a description in the form of tactical tasks and programs for each specific strategic goal. These programs are aimed at improving local indicators for all prospects of foreign economic activity of the company at once.

The peculiarity of the following methodology for the formation of the BSC, developed by P. Niven, is the implementation of the process of "cascading".



The process of "cascading" consists in the development of balanced systems for each level of implementation of foreign economic activity of the enterprise. The purpose of cascading is to determine the possibility of assessing the contribution to the overall success of the enterprise of all groups of factors that have an impact on the development of foreign economic activity [9]. At the same time, the process of formation of BSC starts at the highest level with the corporate (general) indicator system. The goals and indicators contained in this system reflect what is considered critical variables that determine the success of an enterprise in the field of foreign economic activity of the enterprise. BSC, subsequently created at lower levels of enterprise management, should be linked to the corporate system of indicators. In order to ensure an effective result from the use of SSP P.Nivena, the following elements must be taken into account: compliance with the principles of cascading; determining the impact on the goal; the formation of a system acceptable by the number of goals and indicators, the introduction of the relevant normative values of indicators, full coverage of all objectives of the enterprise in the field of foreign economic activity, a combination of advanced and delayed indicators. "Cascading" can lead to a rapid increase in the number of indicators, so it is necessary to take into account the fact that the essence of the BSC is to focus on the main ones. In order to establish the relevant standards it is necessary to give a thorough assessment of environmental conditions, the current results of foreign trade, generate predictions for the future, etc. At the stage of full coverage of all the objectives of the enterprise in the field of foreign economic activity, it is necessary either to overestimate the need for inclusion in the general corporate system of one or another purpose, or to take measures aimed at providing additional training to employees and dissemination of information on the crucial role of this goal in achieving the long-term success of the enterprise in the foreign market.

In turn, H. Rampersad [13] considers in his writings the system of indicators of foreign economic activity of enterprises and personnel as a whole. Under this approach, Rammstead forms a universal system of indicators (USI) with quality management, performance and competencies. In USI, H. Rampersad distinguishes five elements: a personalized system of balanced indicators; organizational system of balanced indicators; general quality management; performance management and competencies management; a cycle of training in practice to change the individual and collective behavior of the Colb. This concept of forming a balanced scorecard allows us to combine the concept of learning and leadership in the process of ensuring sustainable development of the enterprise in the foreign economic area. This system also has an important practical value but requires a significant period of time to systematize the indicators of individual and corporate levels.

The group of authors: K. McNair, R. Lunch, K. Cross have proposed a model of a balanced scorecard which is called "Pyramid of Efficiency" [7]. The essence of the model is to establish the interdependence between the overall strategy of the enterprise and its performance (financial and non-financial). To spread the idea of a corporate strategy of foreign economic activity at different levels of the hierarchy, a pyramid of efficiency is created.

This pyramid includes four levels of organizational structure that operate through two-way communication systems. Accordingly, whole enterprises in the field of foreign economic activity are spread from higher levels of organizational structure to lower ones. At the same time, the peculiarities of each level are taken into account, while the indicators of external economic activity are transmitted - from the lower level to the higher. The strategy of foreign economic activity is formulated at the highest level. Financial and marketing indicators are key at the second level, because the goals of business units are expressed through marketing and finance. As for the third level, this level does not correspond to any level of the organizational hierarchy. Third-level indicators are connecting between higher and lower levels. The third-level indicator group reflects some qualitative characteristics that are common to all or part of the levels of the hierarchy of a balanced scorecard of enterprise performance in the field of foreign economic activity. Using this conceptual model of a balanced scorecard in the field of foreign economic activity allows to include in the process of evaluation, not financial indicators, among which the main advantage is given to the marketing component. The proposed model by Christopher Adams and Peter Roberts is named EP2M (Effective Progress and Performance Measurement) [1]. In accordance with this conceptual model of the formation of a balanced scorecard, account is taken of the foreign economic activity of the enterprise in the following four directions: servicing overseas clients and markets; Improvement of internal processes (increase of efficiency and profitability); change management and strategy of foreign economic activity; property and freedom of action in the field of international business.

The use of this system of indicators is aimed at ensuring the implementation of the enterprise's foreign economic strategy, as well as the formation of a corporate culture with the elements of learning, since constant changes penetrate into all internal processes of the enterprise. According to the model of ER2M indicators of the efficiency of foreign economic activity of the enterprise should provide information support to employees who make decisions and are responsible for implementing the strategy, fast feedback. Thus, the system of indicators of foreign economic activity based on the principle of balance is an instrument for determining the factors that play a crucial role in achieving certain results of the enterprise in the foreign market, and also provides a timely response to the rejection of the achieved results of the foreign economic activity of the enterprise from the planned ones. The analysis of the conceptual models of the formation of BSC showed that the most acceptable in the foreign economic sphere of domestic enterprises is a model proposed by professors D. Norton and R. Kaplan. It provides the most comprehensive coverage of various aspects of the operation of the enterprise in the foreign market has a fairly high resistance to manipulations and errors at the individual level. In a sense, this conceptual approach is a compromise between technology and information resources, infrastructure and corporate culture that are relevant to Ukrainian enterprises in the modern business model.

## 2. Methodical maintenance of a balanced scorecard of foreign economic activity of the enterprise

The first stage of the formation of the BSC of the enterprise is the specification of its mission and strategy in the field of foreign economic activity. It is important to understand precisely the mission and strategy of the company in the foreign market, since it will depend on the correctness of the definition of formal goals, which in future will be the basis for an assessment of the implementation of appropriate measures to improve the efficiency of foreign economic activity. Formalization of the goals of the enterprise in the field of foreign economic activity should be considered in the context of four basic prospects. It should be noted that the formalized goals formed in each of the prospects of the BSC can have a different degree of priority, and the complexity of the chosen indicator determines the quality of the whole system of balanced indicators and greatly affects the management process of foreign economic activity of the enterprise. Understanding the semantic content of formalized goals with lower level indicators and determining causal relationships will help to assess the state of foreign economic activity of the enterprise as a whole with all perspectives and to determine the sequence of implementation of certain measures to improve the foreign economic activity of the enterprise. The semantic content of the key indicators for evaluating the development of an industrial enterprise in the foreign market is given in tabl. 1

**Table 1. Semantic content of key indicators of evaluation of the effectiveness of foreign economic activity of an industrial enterprise**

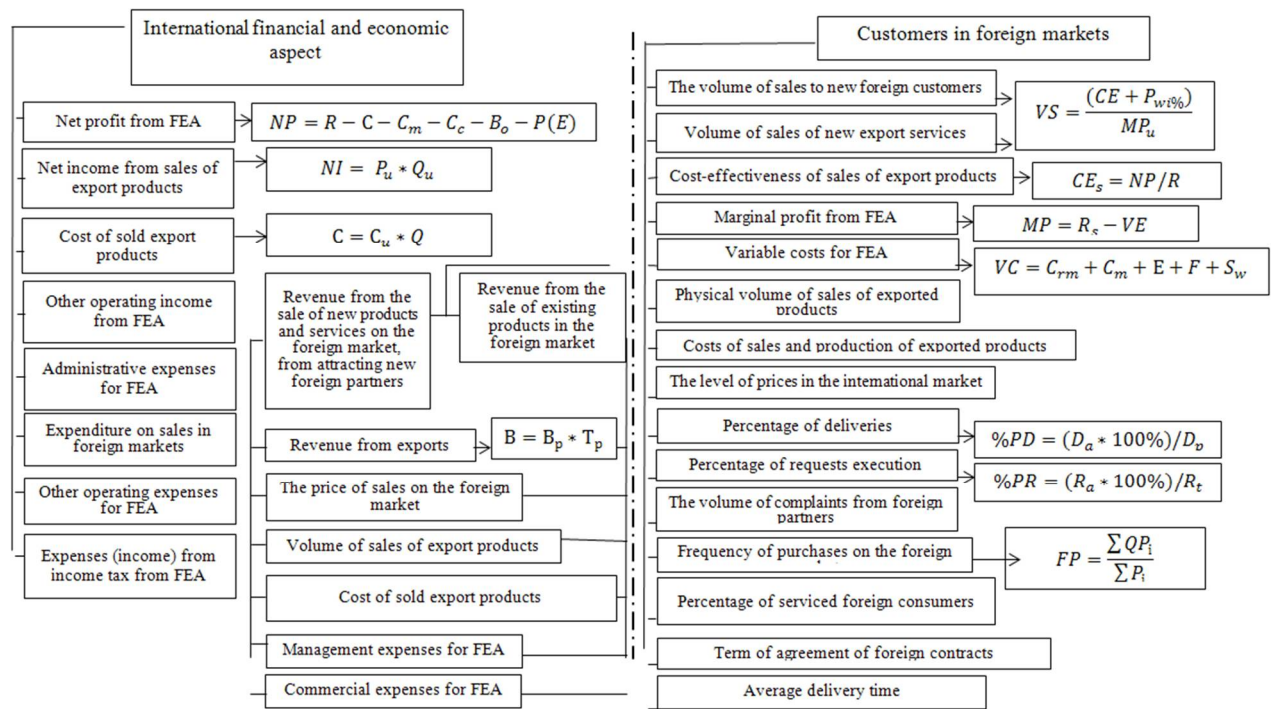
Key indicator	Symbolic designation	Semantic content
1	2	3
International financial and economic aspect		
Net profit from foreign economic activity	$NP = R - C - C_m - E_c - E_o - T$	R - revenue from exports; C – cost of exported products; $C_m$ – management costs related to foreign economic activity; $E_c$ - commercial expenses connected with foreign economic activity; $E_o$ – other expenses related to foreign economic activity; T – deducted taxes
Net income from sales of export products	$NI = P * Q_p$	P – the price of sales on the foreign market; $Q_p$ – quantity of the exported products.
Cost of sold export products	$CS = CB_B * K_{\Pi}$	$C_p$ – cost of sold export products; $Q_p$ – quantity of the exported products.
Customers in foreign markets		
The volume of sales to new foreign customers / new export goods	$VS = (CE + P_{wi}\%) MP_u$	YB – conditionally permanent industrial production expenses associated with foreign economic activity $P_{wi}\%$ - profit from foreign economic activity without deducting interest

Return on sales of exports	$ROS_e = NP/NI$	NP – net profit from foreign economic activity; NI – net income (revenues) from foreign economic activity
Marginal profit from foreign economic activity	$MP = R_s - VE$	$R_s$ – revenue from sales on the foreign market (excluding VAT); VE – variable expenses on foreign economic activity
Variable costs for foreign economic activity	$VC = C_{mm} + C_m + E + F + S_w$	$C_{mm}$ – costs of raw materials for export products;; $C_m$ – costs for materials for export products; E – costs for electroenergy; F – fuel costs; $S_w$ – salaries for wages
Percentage performance delivers	$\%PD = (D_a * 100\%) / D_p$	$D_a$ – actually delivered deliveries to foreign markets; $D_p$ – planned quantity of deliveries
Coefficient of satisfaction of the demand for export products	$C_{SD} = C_{ep} / (N_p * PN_{ep})$	$C_{ep}$ – potential capacity of the market of export production of the enterprise; $N_p$ – potential number of foreign consumers of export products; $PN_{ep}$ – the potential number of export products per foreign customer per year
Frequency of purchases on the foreign market	$FP = \frac{\sum QP_i}{\sum P_i}$	$QP_i$ – quantity of purchases of the i-th client; $P_i$ – the period for which the purchases of the i-th client are made
Internal business processes		
Profitability of exports	$P_E = NP / C_p$	NP – net profit from foreign economic activity; $C_p$ – cost of production of export products
Level of self-sufficiency by innovative projects	$L_{SS} = Qpp / Qpr$	$Qpp$ – quantity of projects submitted by the personnel in the field of foreign economic activity; $Qpr$ – the total number of projects at the enterprise
Cost of exported products	$C_{ep} = C_p + C_r$	$C_p$ – costs of production of export products; $C_r$ – costs for realization of export products
Return on assets from foreign economic activity	$ROA_f = Ps / FA$	Ps – profit from sales of products in foreign markets; FA – fixed assets
Fundedness of foreign economic activity	$F_{fea} = FA / Ps$	Ps – profit from sales of products in foreign markets; FA – fixed assets
Labor productivity in the international market	$LP = Wa / S$	Wa – the amount of work per unit time; S – number of staff
The material consumption of the exported products	$M_c = Me / V_p$	Me – material expenses for export products; $V_p$ – volume of production of export products

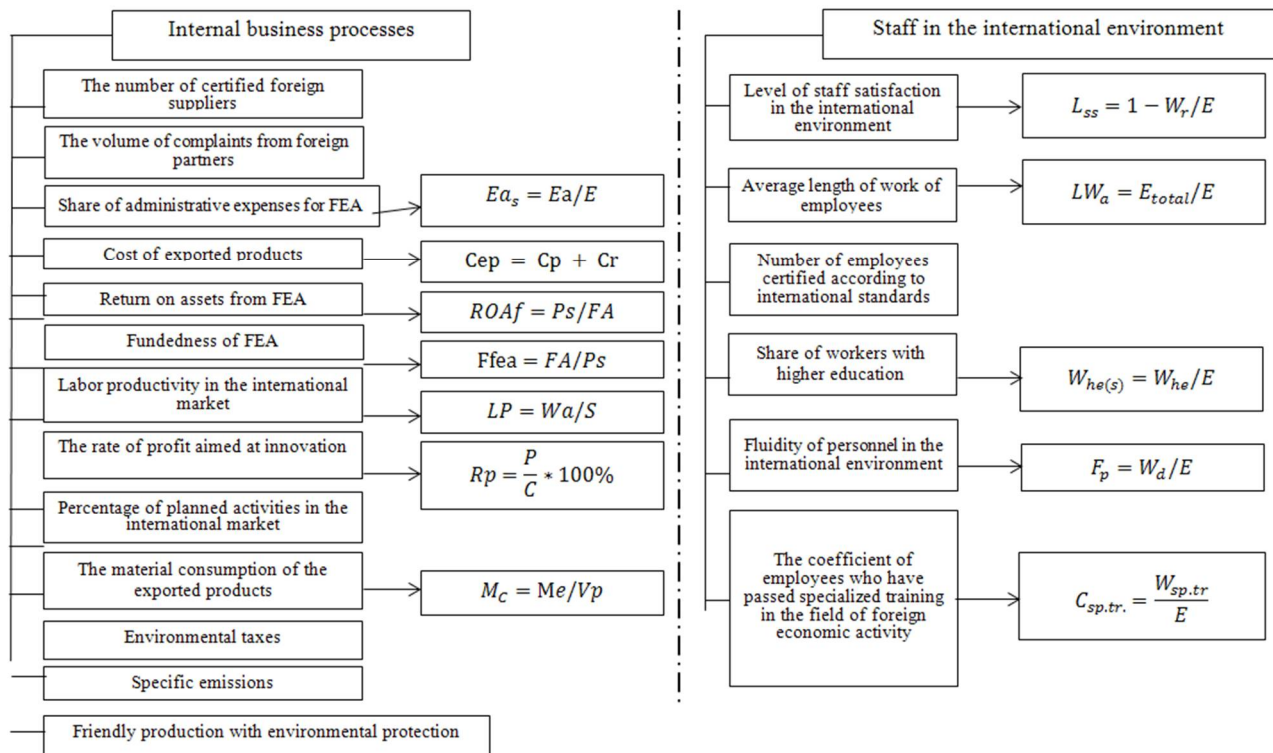
Staff in the international environment		
The level of staff satisfaction in an international environment	$L_{ss} = 1 - W_r / E$	$W_r$ – the number of retired workers at their own discretion; $E$ – total number of employees.
Average length of work of employees	$LWa = Etot / E$	$Etot$ – total work experience of all employees; $E$ – total number of employees
Share of workers with higher education	$Whe(share) = \Pi B / E$	$Whe$ – number of workers with higher education; $E$ – total number of employees
Fluidity of personnel in the international environment	$Fp = Wd / E$	$Wd$ – the number of dismissed workers, $E$ – total number of employees
The coefficient of employees who have passed specialized training in the field of foreign economic activity	$Csp.tr. = Wsp.tr. / E$	$Wsp.tr.$ – number of employees who have passed specialized training at the international level; $E$ – total number of employees
Efficiency of organizational culture	$Eoc = NP / OCv$	$NP$ – net profit from foreign economic activity; $OCv$ – organizational culture in value terms

A systemic analysis of the lower level indicators should be carried out with a view to clearly and unambiguously expressing the content of formalized objectives, as well as to determine their degree of achievement at the target values. The control charts of the BSC show the possible key indicators for the industrial enterprise (Figures 2, 3). After choosing the indicators of the BSC enterprises in the field of foreign economic activity it is needed to determine their target values. Target values should be specific, but quite achievable. In determining the target values of indicators, it is necessary to adhere to the following principle: the balance of formal goals should be reflected in the balance of the target values of the indicators that are described. That is, the target values of the indicators should correspond to the causal relationships of the strategic objectives of the enterprise. The final stage of the implementation of the BSC is the development of practical measures to improve the foreign economic activity of the enterprise.

Measures help to specify goals and link the foreign economic strategy of the enterprise with the operational tasks of employees of individual units of the enterprise. Thus, the key idea of a balanced BSC is in the expression of the strategy of foreign economic activity of the enterprise through the stage of evaluation of indicators in specific internal processes and actions of the enterprise. As a result, measures become the basis for the distribution of internal reserves of enterprise development within the framework of the foreign economic strategy of the enterprise. In other words, the definition of measures is based on a comparison of the notions about the formalized goals of the development of foreign economic activity with the available internal resources.



**Fig. 2. Recommended control maps of the BSC of the industrial enterprise in terms of prospects: international finance and foreign clients**



**Fig. 3 Recommended control maps of the industrial enterprise BSC on the prospects of internal business processes and the training and development of personnel in the international environment**

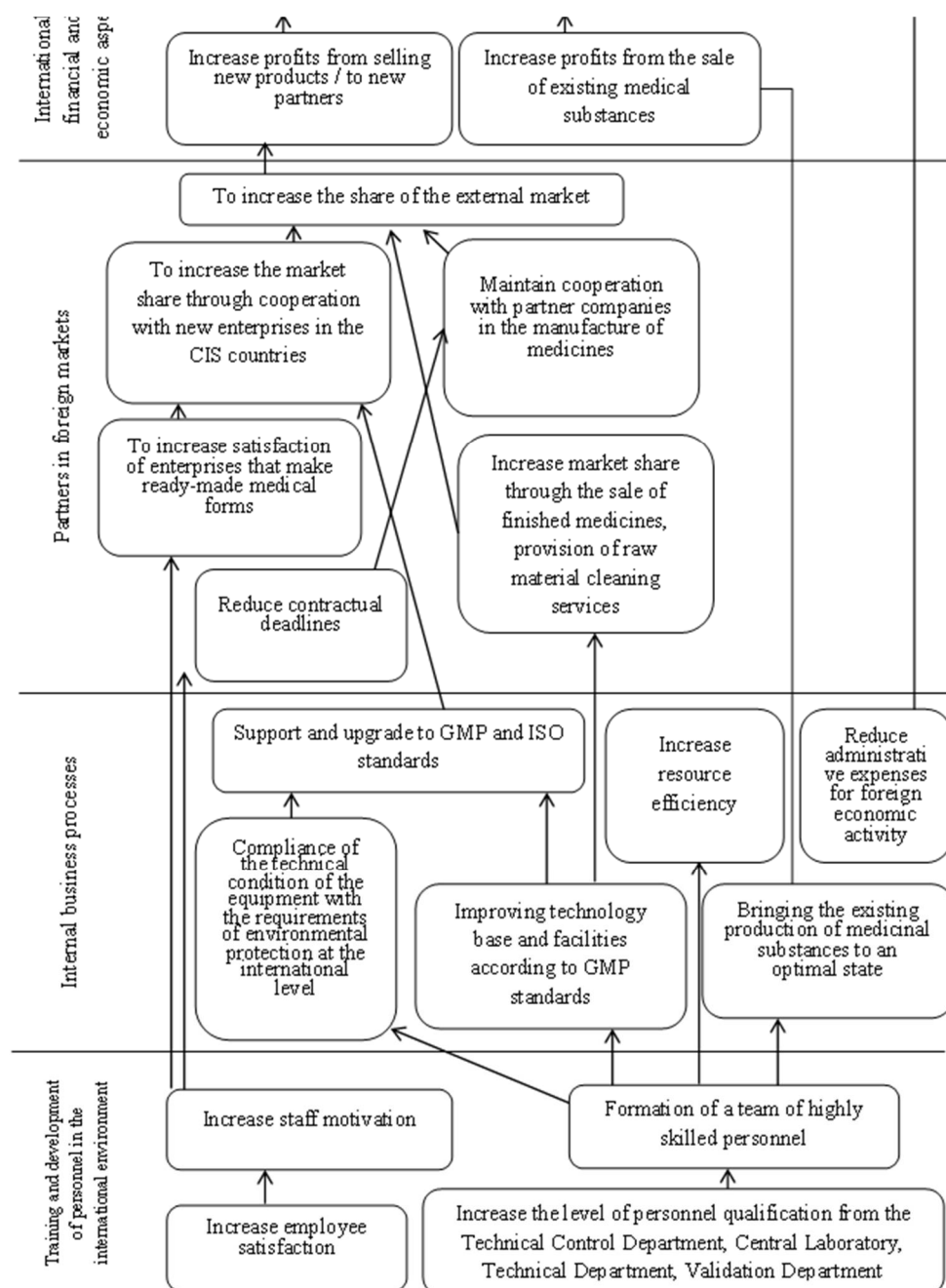
### **3. Estimation of Balanced Scorecard System in International Business**

Research practical value of the proposed balanced scorecard was carried out based on factor analysis method of chain substitutions primary data of State Plant for Chemical Reagents STC of «Institute for Single Crystals» of the NAS of Ukraine. The formulation of the Mission, Vision and Strategy of the State Plant "Plant of Chemical Reagents" in the field of foreign economic activity can determine the quality of products and human potential as key factors of success and determine the strategic objectives of foreign economic activity. Tracking the cause-effect connection of key factors of success, as well as the choice of indicators of effectiveness, creates the basis for transforming abstract strategic representations into real tactical management decisions of the enterprise in the foreign market. Using the methods of expert ranking, constructing a goal tree, content analysis, and based on the mission of the State Enterprise "Plant of Chemical Reagents", strategic objectives of the enterprise and their cause-effect links were mapped, which are schematically represented in the form of a strategic map (Fig. 4).

According to the developed strategic map, the main strategic goal of the "international financial and economic aspect" is to increase the profitability of the State Enterprise "Plant of chemical reagents", which can be achieved by increasing the profit from the sale of existing medical substances, and- increasing the profit from the sale of new products/to new partners. In the context of the prospect of "partners in foreign markets" the main strategic goal is to increase the share of the external market, which is already directly influenced by other strategic objectives, such as maintaining cooperation with partner enterprises, cooperation with new enterprises in the CIS countries, etc. For the perspective of internal business processes, it is characterized by the fact that the allocated strategic prospects, although they have an impact on the strategic goals in the context of this perspective, but some of them directly affect the strategic goals of the prospects of "partners in foreign markets" and "international financial and economic aspects." The basis for the "training and development of personnel in the international environment" is the increase in the level of motivation of staff and the formation of a team of highly skilled personnel.

Based on the methodology developed in this study for the formation of BSC in the field of FEA, the number of complex indicators of the effectiveness of FEA enterprises is limited, which allows you to focus on important processes. In order to evaluate the resulting indicators and to determine the impact of constituents on their significance, it is necessary to analyze their changes. The dynamics of changes in the results of FDI surveyed enterprises for 2015-2017 is presented in tab. 2.

As a result of the evaluation of the values and dynamics of the performance indicators of the FEA of the State Enterprise "Plant of Chemical Reagents" some trends in the change of the basic indicators were revealed. In 2016, as compared with 2015, the most significant change in the level of self-sufficiency in innovative projects has changed.



**Fig. 4. Strategic map of the ZSP State Enterprise "Plant of chemical reagents"**

This was mainly due to the number of projects submitted by the personnel in the field of foreign economic activity, as a result of a significant restriction of exports in connection with the aggravation of political relations between Ukraine and the Russian Federation. However, in 2017, compared with 2016, the growth of this indicator decreased significantly, and the structure of the influence of its components almost did not change.

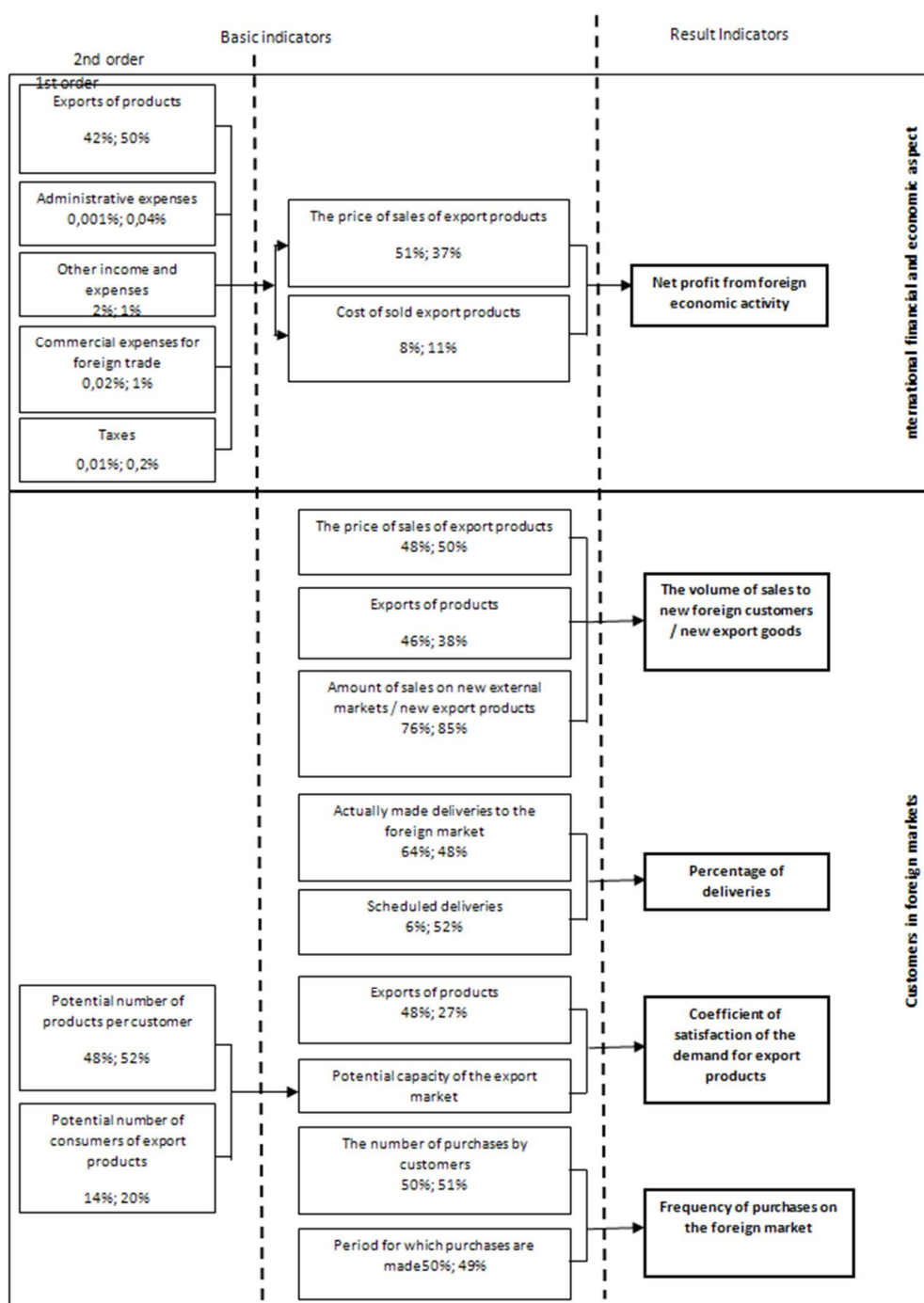


**Table 2. Output data of the estimation of the results of foreign economic activity of the state enterprise "Plant of chemical reagents"**

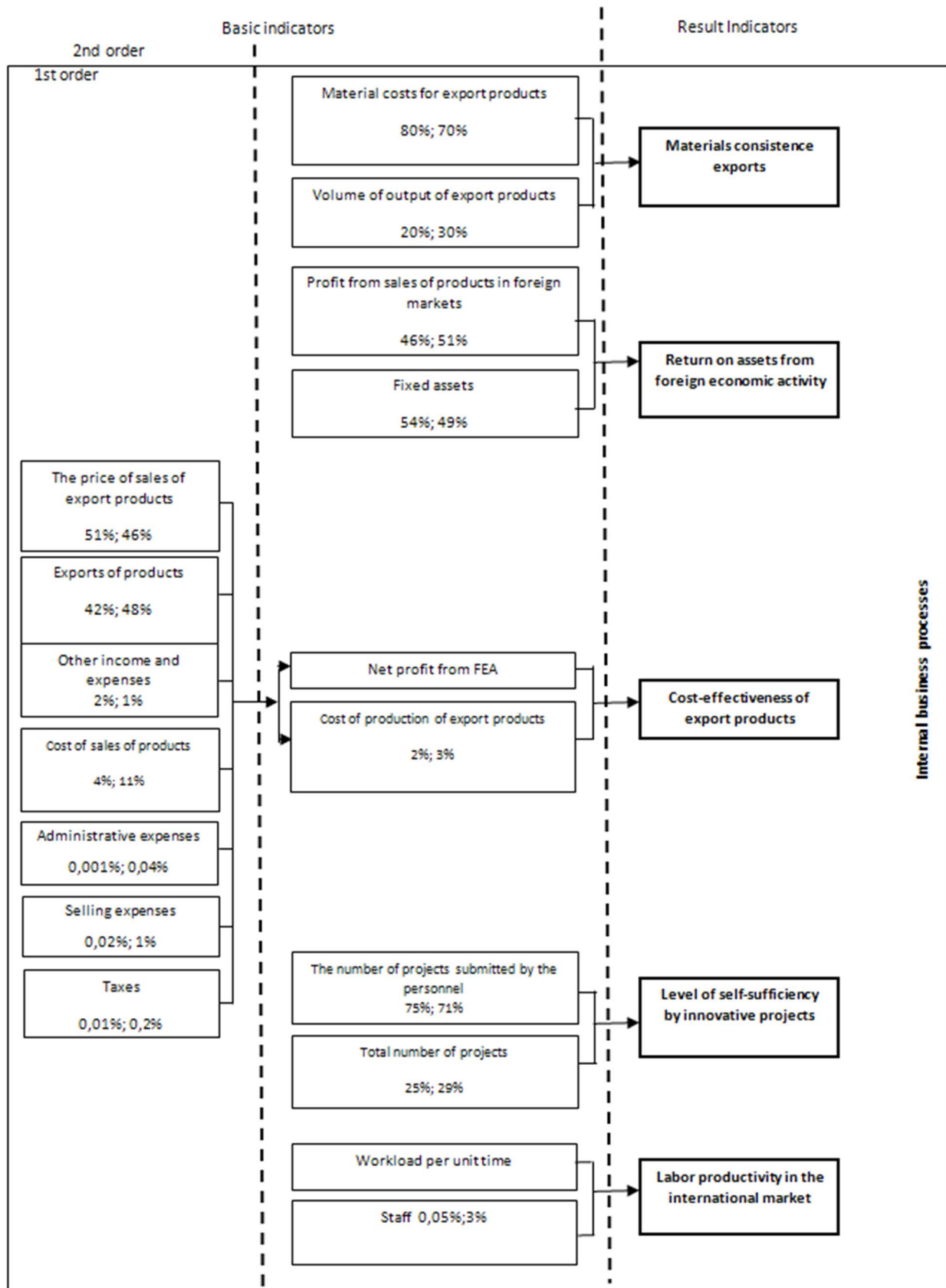
Performance Indicator	2016	2017	2018	Absolute deviation		Growth rate, %	
				2017	2018	2017	2018
1	2	3	4	5	6	7	8
Net profit from foreign economic activity, ths. UAH	488	842	1023	354	180	73	21
Volume of sales to new foreign customers / new export goods, ths UAH	0	13	63	13	50	-	385
Delivery percentage, %	86	96	102	10	6	12	6
The coefficient of satisfaction of the needs of the enterprise's export products	0,85	0,90	0,71	0,05	-0,19	6	-21
Frequency of purchases on the foreign market, purchase / month	1	2	2	1	0	100	0
Material consistence of exported products	0,48	0,58	0,65	0,1	0,07	21	12
Return on assets from foreign economic activity	6,8	6,9	6,3	0,1	-0,6	1	-0,08
Cost-effectiveness of sales of export products, ths UAH	0,19	0,29	0,26	0,10	-0,03	49	-9
Level of self-sufficiency by innovative projects	0,14	0,33	0,40	0,19	0,07	133	20
Labor productivity in the international market, kg / person	183	39	89	-143	50	-78	-42
Level of staff satisfaction in the international environment	0,95	1	0,99	0,05	-0,01	5	-1
The coefficient of employees who have passed specialized training in the field of foreign economic activity	96	169	212	73	43	76	25
Fluidity of personnel in the international environment	0,05	0	0,01	-0,05	0,01	0	0
Share of workers with higher education, people	1	1	1	0	0	0	0
Profit from organizational culture	0,06	0,11	0,02	0,05	-0,09	86	-78

Also, high growth rates in 2016 were observed for such indicators of performance as: net profit from FEA, the frequency of purchases on the foreign market, the profitability of sales of export products, the coefficient of employees who have passed specialized training in the field of foreign economic activity, the returns from organizational culture. However, in 2017, most indicators had a downward trend, and only net income from FEA grew by 20% due to the discovery of new market niches of the international market for sales of products. The largest impact on this indicator in 2015-2017 was the price of sales of export products and their volumes (fig. 5). Their total share of influence on the effective index for the period under study varies from 80%. To reduce the return on organizational culture in 2017 by 78% after the growth in 2016 by 86% was affected by a significant increase in the value of the enterprise's own capital caused by the unpaid transfer of non-current assets of enterprises, which was conditioned by the organizational features of the enterprise within the limits of a single scientific and technological concern (Fig. 5-7).

When analyzing the share of the influence of the basic indicators on the change of the resulting indicators in the context of the international financial and economic aspect, it is necessary to allocate the price of the sale of export products and the volume of export products, their impact is almost half of all indicators. It should be noted that the share of the influence of the price of sales of export products has decreased from 51% to 37%, while sales volumes increased from 42% to 50%, which is explained by the fact that the export product portfolio again appeared oksanaftilin.

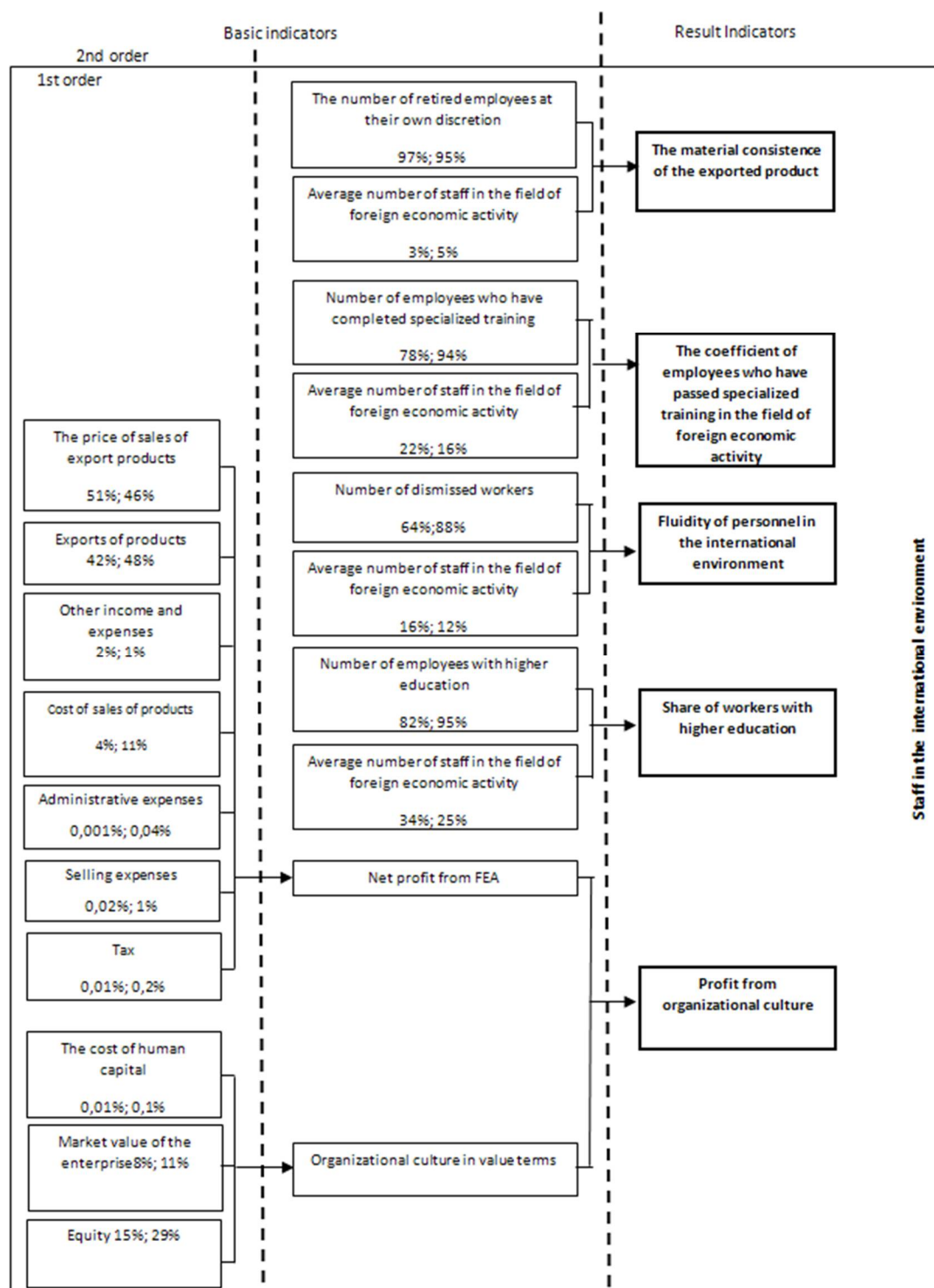


**Fig. 5. The share of the influence of the basic indicators on change of resulting indicators of prospects of the international financial/economic aspect and customers in the foreign markets of SE "Plant of chemical reagents" for 2015/16 and 2016/17 years**



**Fig. 6. Share of the influence of the basic indicators on the change of the resulting indicators of the prospects of internal processes of the State Enterprise "Plant of Chemical Reagents" for 2015/16 and 2016/17 years**

In the future, customers in foreign markets, each of the basic indicators has a significant impact on the resulting, their share varies from 14% to 85%. The largest share of the volume of sales in foreign markets / new export products is in sales volume, which was 76% in 2016, and 85% in 2017. The frequency of influence of other indicators is about half and tends to both decrease and increase.



**Fig. 7. The share of the influence of the basic indicators on the change of the resulting outcomes of the prospects of personnel in the international environment of the State Enterprise "Plant of Chemical Reagents" for 2015/16 and 2016/17 years**

The analysis of the influence of the base indicators on the change in the result indicators of the outlook of the internal business processes shows that the material impact on the material resources of the exported products has a material cost, which in 2016 made up 80%, and in 2017 - 70%. The number of projects submitted by the personnel has a significant impact on the level of self-sufficiency of innovative projects, which is ranging from 71-75%, and the price and volumes of sales of export products has an impact on the profitability of export products.

Regarding the prospect of "staff in the international environment the level of staff satisfaction, staff turnover in the international environment, the ratio of employees who have passed specialized training in the field of foreign economic activity and the share of workers with higher education have the number of freelance workers, the number of employees dismissed, the number of employees who have passed specialized training and the number of employees with higher education, ," have the significant impact on the resulting indicators, their share ranges from 64% to 97%.

Indicators that have the most significant impact on the resulting indicators require regular monitoring and control. Other, with less impact, are auxiliary. Their change has a medium and long term exposure period and can be investigated by the enterprise at longer intervals.

The implementation of the BSC will allow the company to analyze in detail internal and external processes, respond to the needs of foreign partners based on their own capabilities, understand the needs and staff satisfaction, analyze and monitor financial indicators in line with changes in the international environment. In this way, the ZSP will allow a comprehensive assessment of the enterprise's foreign economic activity and the establishment of appropriate measures to increase its efficiency.

In this study, further development of BSC in the field of foreign economic activity was developed and the conceptual method of its formation was developed. On the basis of the methodology implemented the BSC in the activity of SE "Plant of chemical reagents": a strategic map is constructed, control index maps are formed and their semantic content is defined, which allows us to move from the abstract goal of increasing the efficiency of the foreign economic activity of the enterprise to specific goals, indicators and interrelationships between them. Thus, the proposed methodological approach has theoretical and practical value in the activities of domestic enterprises. In the development of ZSP enterprises participate at all levels of the enterprise, which ensures staff awareness of the tasks and better understanding of the characteristics of entrepreneurial activity in the foreign market.

### **Conclusions.**

The proposed methodology for BSC formation in the given study in relation to the subject of FEA offers the management of the company a completely new management tool, which is a set of interrelated indicators that allow to assess the critical factors of the current development of the company in the international market, establish measures to improve the efficiency of foreign economic activity, and respond in a timely manner to changes taking place in the international arena.

Thus, the use of BSC in the field of international business enables the management of the enterprise to comprehensively analyze its activities both in financial and non-financial terms, to determine the results and basic indicators, and among them to allocate the most influential. In this way indicators are allocated that require constant monitoring and control, since their changes have a significant impact on the results of the enterprise's activities. According to the results of the study, it was determined that the development of human capital of the analyzed enterprise is due to the number of dismissed personnel and the number of employees with higher education. The effectiveness of internal processes is largely dependent on the cost of fixed assets, material costs from the export products and the innovation of the production process. In the financial perspective, the most significant indicator is the price of products. The client component has a significant impact on sales, purchasing power and life cycle of products. The results are in line with the international business models that focus on the innovative stages of the production process, the transfer of the most costly stages to cheap labor markets, increase sales in foreign markets with high purchasing power and the introduction of marketing measures to reduce the implementation period of purchases.

Consequently, the introduction of a BSC proposed by the authors will allow to comprehensively evaluate the enterprise's foreign economic activity based on the principles of the system approach, improve the process of making management decisions at all levels of management of the foreign economic activity of the enterprise, provide active participation of personnel in the functioning of internal processes in order to ensure a stable tendency to increase the efficiency of foreign economic activity. Implementation and further realisation of the formed ZSP includes improvement of the information base of the enterprise in the external sphere, which will enable the introduction of a new system of operational accounting and document circulation to ensure timely and flexible reaction of the enterprise to external changes.

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**FOREIGN EXPERIENCE IN PUBLIC ADMINISTRATION REFORMING  
AND ITS ADAPTATION IN UKRAINE**

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**Abstract.** *Foreign experience in public administration reforming has been researched. Approaches to reforming of public administration system have been analyzed. Each state should take into account all existing organizational models, their practical positive and negative points, national specifics and many other factors of global and national importance for the development of the concept of public administration reform. Counteracting barriers and contributing factors for the implementation of public administration reform are defined and systematized in the article. The reform is seen as a long and expensive process including planning, implementation and institutionalization of reforms. The main direction of the reform of the system of government in Ukraine is the formation of new institutes, organizational structures and instruments for the implementation of public administration in the sphere of state power. Conditions for effective organization of public administration reform in Ukraine are proposed.*

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**JEL Classification: H70, Z18****Introduction.**

An effective management activity of the executive branch is the key to social and economic development. The transformation of the last two decades has brought about significant changes in the sphere of executive branch, the relationship between the authorities and the people, new forms of governance, social institutions and structures. However, the current state of functioning of executive authorities makes it necessary to state the need for their systematic and complex reformation.



The problem of reforming state authorities as a complex multidimensional process must be in the research of scientists, since the chosen theme contains an innovative component that requires objective scientific coverage. The experience of European states shows that the further development of political, economic, social and other components of the state depends on the results of changes in the public administration system.

The investigation of the main ways of reforming the executive authorities system in Ukraine is especially relevant and significant. Therefore, we consider it necessary to pay special attention to the most significant factors of reforming the executive authorities system and to develop certain conclusions and recommendations for their implementation.

As world practice shows, in the modern era of innovation, the level of socio-economic development of states depends not only on the available economic resources, but on the effective system of public administration. Therefore, the issues of rational and highly professional administration, efficient organization of the power vertical and balance of intergovernmental relations come first.

### **1. Approaches to public administration system reforming**

At the beginning of the XXI century, the governments of developing countries faced two problems: to continue administrative reforms and at the same time to adapt to globalization. Obviously, it is necessary thoroughly to investigate the experience of European countries, which for the most part have already carried out reforms of the public sector of management, to take from it only those lessons that will enable Ukraine to avoid other people's mistakes. The dilemma of choosing a model for implementing reform of executive authorities system faces Ukrainian parliamentarians, the Government, the President. Accordingly, it is necessary to follow global trends of reform public sector administration because formation of an effective system of executive branch is an important priority and strategic course of Ukraine to modernize public and government.

A characteristic feature of modern world science and practice of public administration is conceptual and methodological pluralism, which, in particular, is reflected in the concepts of new state management, social networks and social modernization. Consequently, reforming the executive branch system of Ukraine on the principles of the concept of public administration will be able to expand opportunities for an adequate response to the challenges of globalization and population growth [1, p. 28].

Currently, structural and functional, organizational and personnel transformations in Ukraine have to touch in the first place, the executive authorities and local governments that provide real implementation of the laws and regulations of the state. Public authorities influence the most important processes of social development, while realizing their power directly interact with the population, and therefore, every person must be guaranteed real observance and protection of his rights and freedoms in the state power sphere, effective protection of these rights and freedoms in cases of their violation.

Investigating experience of foreign countries in the reform of the executive authorities, define the political context, stages and features its implementation is a prerequisite for effective reform of public administration in our country. It is necessary to determine whether the possible implementation of reforms in the system of executive branch and achieve aims, what conditions should be created for this purpose and how to overcome barriers and conflicts at different stages of transformation. Given the decisive role of executive authorities in ensuring the rule of law and the priority of human and civil rights and freedoms, it is necessary to identify the main preconditions for the reform of the executive authorities in Ukraine, to establish the content and necessity of such reform in view of Ukraine's integration into the EU and the modern political and socio- economic situation in the country.

Problem of organization, implementation of reforms, where the emphasis on the causes, results and consequences of transformations is revealed in the writings of foreign authors M. Bevir, A. Cole, John J. Gargan, S. Kelman [2-5]. We appeal to their investigation, because the problems of reforming the executive branch in foreign countries like Ukrainian. This enables us to analyze the causes, conditions, ground reforms in these countries compared, systematizing and confirming the positive and negative trends in their implementation.

In some countries the reform of the executive authorities characterized as radical (complete reorganization of the system of authorities, «new state management» □ Australia, New Zealand, Great Britain), while others are characterized by more pronounced pragmatism and gradualism Germany, Finland, the Netherlands. At the same time, it should be noted that both states with radical approaches, and those who follow the path of gradual reforms, have a desire to borrow from the private sector model and management methods (entirely or more purposefully). And despite the fact that there are significant differences between the relatively simple results of the private sector and the extremely complex of results of the state apparatus. Such a wish is connected with the realization of the necessity of refusal in modern conditions from purely bureaucratic principles, forms and methods as the basis of public administration.

Socially oriented tasks of reforms in public administration have made a natural transition to this area of advanced achievements of business management with the adaptation of the latter to the specifics of public management. The experience of administrative reforms in the leading countries of the West testifies to the attempts to apply in business management approaches of business management in order to solve, in particular, one of the key administrative problems □ to assess the quality of management in terms of achieving the final result. a generalized approach to the assessment of management success recognized in management for this purpose is used. It involves the allocation of three components (three «e»): effectiveness, efficiency, and economy.

In some countries (Great Britain, New Zealand, Australia), reform programs were formulated, adopted and implemented by political elites and public services. In other countries, although the fundamental basis of public administration reform was developed by the political elite and central government, many activities were carried out from the bottom up through experiments and diverse innovations (some aspects of reforms in the United States, Germany, Finland, etc.). In Canada, for example, both approaches were used. The key factors here are the state structure, its political system and the constitutional system.

The experience of reforms realization in executive authorities in other countries testifies the importance of timely preparation of normative acts, the special need for legal norms for the stable functioning of administrative institutions. Normative legal providing for the reform of this sector, as a rule, is realized in two directions: analysis (inventory) of legal acts for their compliance with the needs of reform; preparation of new normative acts; performance of the rules, regardless of their content. Thus, in France in 1997, for all administrative authorities, «Quality of Service Charter» was developed, which defined the parameters of the services provided and the rights of citizens, in particular their right to participate in the assessment of the results achieved.

The most radical structural reforms are implemented in the countries of the Anglo-Saxon legal family (primarily in the Great Britain, Australia, New Zealand). A three-tier system of central management has been created: ministries □ departments □ decentralized structures. The ministries are assigned the functions of strategic management in the appropriate sphere. Agencies concluding agreements with ministries, organize implementation of specific programs. Decentralized structures, which can be both public and private institutions, directly provide public services to citizens and legal entities. Thus, after reviewing the ministerial system, the Anglo-Saxon countries abandoned the classical centralized vertical bureaucratic type.

It is now generally accepted that administrative traditions in these countries contribute to the formation of more flexible and effective forms of governance. Countries of continental legal family generally realize reforms of the same orientation, but less cardinal by nature and conservative by form. However, the system of mutual cooperation is formed by centralized and decentralized, public and private institutions, redistributing their role within a single system of public administration.

The long period of changes in the interconnections of government, society and private individuals preceded the structural reforms of these states. Structural reforms have become the next stage in the transformation of the state apparatus after successful procedural and functional reforms. In these countries, by the end of the XX century, the approach to understanding of public reforms has changed. The reform of the executive branch is realized as one of the most important, carried out with the aim of modernizing all essential and meaningful components of public administration. Correction of the structure, functions and cadres of public administration is ongoing in many countries [6, p. 87].

The formation of new institutes, organizational structures and instruments for the implementation of public administration in the sphere of state power is emerging as a crucially important direction in reforming the system of state authorities in Ukraine. This direction appears to be central because it involves the need to ordering the system of central executive authorities, increase the efficiency of their functioning, through «state-management reform» [7].

Foreign authors often announce that modern state power is falling apart. It means that all countries can less depend on power (Authorities) for implementation of social control. Severally, it causes the emergence of legal crises caused by globalization processes or broad cultural changes that undermine the foundations of hierarchical power relations. Countries are looking for new forms of governance that may arise as soon as state power is transferred above supranational, down □ subnational or outward □ to private spheres [2, p. 41-42]. In accordance, the reform of the executive branch in Ukraine should be directed towards the restoration of a high status of state power at the national and international levels.

In this sense, the experience of European countries is useful in reforming the executive and implementing an effective regional policy. It is well known that in the post-war years they have begun to search for their own formula of power decentralization.

It should also be noted that Ukraine has problems with the implementation of various elements of foreign experience in the public administration system that do not take into account the national peculiarities of Ukraine. It is necessary to critically analyze the excessive enthusiasm of politicians and scientists of the postcommunist countries by the method of similarity and analogy, which has already been noted by scientists as «the most important methodological weakness of internal reformism».

Frequently, the subject of research and comparison is the state administration of developed countries, where attention is accumulating only to the novelty put into its own paradigm of this mechanism, which is not entirely correct.

According to M. Bebel, in the countries of Eastern Europe, the reform of executive bankruptcy faces a completely different environment than in developed countries. In particular, the general relevance and extent of change have no precedent, since the reform involves a complete political and economic transformation. In these countries, the reform of power develops in an unprecedented crisis of management and a significant narrowing of the range of services guaranteed by the state. It is implemented through the uncertainty of the boundaries of the public sector, the weakening of the rule of law and the very high degree of uncertainty in the legislation. The reform is based on the extremely low administrative capacity for the existence of new states and their inability to change. [8, p. 38]. Poland and the Baltic States - Estonia, Lithuania and Latvia are a good example for studying the experience of reforming the executive system of the banking system, since they are states with administrative and command past Ukraine, and at the same time they switched from declaring their pro-European intentions to concrete actions [9].

## **2. Barriers and factors influencing the implementation of reforms in public administration**

The theory and practice of transformation research at different levels of power is established by Ukrainian researchers and based on other countries of Central and Eastern Europe, in particular Bulgaria, Kazakhstan [10, p. 26].

In particular, J. Rainer and other researchers point to the following pattern: the implementation of reform traditionally relied on the government, so officials are accustomed to the aim and ways to achieve it, and the transformation is not a process of institutional change, but a phased adaptation to existing problems, respectively, this is the first factor that makes it impossible to realize a comprehensive, systematic reform. The second preventing factor is the fact that the scientists recognize the organizational structure of the government, the decision-making process in it, and establish rules that not only counteract the reform, but also create barriers to the development of the concept of transformation [11, p. 13]. For example, the Ukrainian government proposes reform, its implementation is complicated by additional barriers. These include the continuation of the policy of the previous government, the maintenance of the laws in force, the adoption of the budget, the distribution of profits and expenditures. From the beginning, the government is based on these values, the norms embodied in the paradigm of its existence, so it can not offer or support change against this paradigm..

However, one does not have to ignore one rather important obstacle in reform implementation. Each official has made a certain contribution to his organization to raise the rating, authority of the organization, thus improving its position. If the reform changes what they have received, their efforts will be unpractical [12, p. 44]. Consequently, the main barriers that counteract the development, implementation and implementation of the concept of reform, are: the stability of institutions and state authorities and their reluctance to change the existing living conditions; a complex procedural mechanism for decision-making, including the reform project and its subsequent implementation mechanisms; a significant opposition to the reform of officials who lose stability and confidence in their organization.

At the same time stable and coherent process of functioning of one or another organization is rather unstable phenomenon. According to J. Kieler, the favorable factor in the implementation of reform is the choice of a convenient moment to put forward a reform project in conjunction with a human factor that offers this innovative idea and can lead to its implementation. We consider, the initiators of the reform should take the right steps when assessing the situation and determine when it is appropriate to maintain the status quo and when it is expedient to choose a reformist position. In addition, the reform plans should be unambiguous, clear, well-planned and consistent with national and international trends [3, p. 46]. according to Y.P. Olsen, one of the favorable factors in reform is recognition of the need for change; in this case, reformers should include proposals coming from the internal environment to a reform project to overcome external countermeasures [13, p. 57].

During the development of the tactics of reform should take into account the change in the structure of the organization, because in the process of crisis structuring of institutions and their impact is reduced. Therefore, the public may prefer changes and tend to condemn the institutional programs of higher authorities in crisis situations. But reform for the citizens mostly associated with uncertainty, and organizers did not know which stage they are able to fight for the implementation of reforms. P. Pearson observes that European governments do not want to realize large-scale reforms through electoral dangers and deficit of resources [2, p. 80].

Consequently, the reform can be implemented if there are authorities that wish to use the situation and obstacles have weakened, the reform paradigm have formulated, resources have been available. It is still difficult to determine and distribute in the current conditions what factors are counteracting and which contribute to reforms. An example is the proposed health reform that effectively opposes the Ministry of Health. Accordingly, this ministry is a barrier that can be overcome by adapting and changing the tactics of action by the organizer who produced the transformation. The question then arises: how to reduce barriers, how to maneuver, want change and implement reform? These questions bring us back to the idea of identifying factors that facilitate the implementation of reform. Given the above, we determine in the sphere of public administration and executive branch reform is possible as a result of a combination of several decisive factors that strengthen each other in system unity.

Based on the analysis of the formation and development of the system of executive power bodies of Ukraine in the conditions of reforms, it is possible to identify cases where crisis situations significantly influenced the process of reforming the executive branch of government. For example, in 1998, the Concept of Administrative Reform was approved □ a determined step by the aggravation of the global crisis. In 2010, reforms are being implemented to improve the economic situation of the state, the main of which is the reform of the judicial system, minimize the level of corruption, a significant improvement of the public administration system. Negative trends and contradictory processes in a certain area of activity lead to the reformation of public authorities. In particular, the low ability of the civil service to ensure the effective implementation of structural reforms led to the reorganization of the Main Department of Civil Service in the National Civil Service Agency. The new authority creation is intended to accelerate the systemic reforms of state power and administration initiated in the country and to harmonize the principles of the Ukrainian civil service with the European principles of effective governance. In the executive branch Ukraine Crisis contributed to today's large-scale reform and change principles of implementation. The paradigm of reform must be constantly supported by new ideas, proposals and norms. Historically, the dominant values and norms in times of crisis phenomena are losing their leading position and can be replaced by values and norms that contradict the past paradigm. Accordingly, the change occurs when the reform is the result of conscious decision-making in the planning process, and the proposals are formulated and discussed.

Problems of executive power system are clearly observed at the present stage of development of the Ukrainian state. On the one hand, this is a barrier making it impossible to implement reforms, and on the other hand it is a crisis situation encouraging the development of transformation projects, the emergence of organizers who want to raise their prestige and prestige of their organizations and use this situation to making changes.

Undoubtedly, the reform violates the way of life, the style of management, the style of leadership, etc. The nature of reform should not be regarded as a barrier, since the goal of transformation is aimed at improving, therefore, in the process of implementation, adaptation occurs to new circumstances or conditions that will reduce the pressure of anti-reformers and change the attitude towards the result [12, p. 34]. The nature of the reform demonstrates that barriers should not be eliminated in order for change to occur. The main thing, according to F.R. Baumgartner □ is the effectiveness of authorities and individuals seeking to implement reforms. And this requires the attention of the tactics, their task is to go through the crisis and work out and consolidate reforms, facilitating the initiation of reforms, for designing proposals for reform, their resource support and bringing the reform proposal to the decision-making process concerning it [2, p. 79].

However, it is necessary to investigate what factors are required for reform. J. W. Kingdon notes that several factors require to be combined in order to enable the reform process. Based on the opinion of the researcher, we note that the specifics and peculiarities of the executive authorities allow to speak of the presence of many factors and their combination [13, p. 19]. P. Pearson designates the reform process can be characterized by two phases: the first is to raise recognition of the need for change in a particular area, which is accompanied by a second phase in which the draft reform is being drafted and approved [2, p. 82]. The distribution of phase data is a rather complicated process, since from the practical point of view, they are closely intertwined. Problems are determined in the first phase, which require to be resolved and modify the existing situation, that is, the object is determined, which requires significant changes. This phase also identifies individuals and organizations attempting reform realization. Various factors make moderators want to change: electoral race, loss of political power, crisis of various kinds, unsuccessful attempt to adapt to the current situation and other factors. Support search and the call for transformations are realizing at this stage, the problem aspects and the ways of their elimination are revealed. The second phase can initiate with the reform implementation. The stage of design, organization and implementation of the reform realizes within a clearly defined time frame, with the further adaptation of innovations. Quite often, several attempts of reform are being implemented, and only when these measures do not lead to the desired results, reform begins [11, p. 24-25].

It is also important to remember that the successful implementation of a large-scale reform is rather an exception than the rule. We also can not determine a single condition for the start of reform. The conditions of the reform must include three variables: urgency; agreement for changes in the organization; the presence of a leader able to implement reform [11, p. 195].

But these three factors may not be the prerequisites for the reform process if society is not committed to reform. Consequently, the interaction of many factors that can be combined in various ways are common features and prerequisites for the reform process at different stages of the any state development.

### **3. Conditions of public administration effective organization reform in Ukraine**

To achieve the aim and implement the reform, it is necessary to identify, analyze, systematize the counteracting obstacles and contributing factors to the transformation. Reform research in foreign countries have shown that large-scale and targeted reforms are successfully implemented in many countries and in various spheres. At the same time, the system of public administration is changing quite rarely, since these structural units are adapted to new circumstances, it is observed constant stability in the decision-making process. Government officials, civil servants accepted the failure of the work, if the executive authorities would change the policy. Essentially, it would mean that they prefer permanent regulators instead of comprehensive reforms that require the abandonment of the former political regime. Nevertheless, despite this factor, comprehensive reforms are perceived in the power system, which is due to the change of political doctrines, the circumstances coincidence, the constant accumulation of problems that are internally complex, and continue to serve as crisis manifestations and the the stimulus for transformation. In Central Europe and possibly in Ukraine, the executive authorities system capable of functioning in a market democracy is a prerequisite for the many other systems development, and, accordingly, the reform of this system is a major factor in other reforms. However, the transformation of the executive power system of Ukraine is realized in an environment containing much more challenges than in countries of sustainable democracy.

An important foundation of reform is the change of incentives, change of people and investment in people. One or two of these factors without a third can give much less results than their combination. For example, the entire civil service system can not be changed if a society does not have a sufficient number of highly skilled people to replace them. However, other changes will not realize without the replacement of many civil servants. the results will not be optimal, whatever that would be the combination of «new» and «old» civil servants, if they do not have the right incentives and proper training.

The process of organizing and implementing reforms in the executive branch system is accompanied by political crises, the restructuring of power, generating social conflicts and dissatisfaction with the existing state-management vertical. Today, citizens have not yet sufficient legal and political culture, which is necessary to facilitate the reforms implementation in the executive authorities system of Ukraine. The change of landmarks is realized, the formation and construction of the state power system continues in parallel with the society transformation. The issues of the strategy, concept, programs of change approval, primarily of executive power authorities providing management services to the population have not lost their relevance.



This problem is complex and interdisciplinary. Citizens should feel positive changes. To do this, it is necessary to overcome the disadvantages of the existing system, based on the acquisition of achievements in both theoretical and applied sciences. In particular, British researchers A. Levy and Y. Mary believe that facilitating the process of reforming is possible by focusing the authority on its role and meaning in the system of executive power and creative work involving innovative technologies. Researchers have developed an approach that consists of processes helping participants overcome the loss of traditional methods of work in a particular organization. In their opinion, it is necessary to sum up the shortcomings of the old system, to justify the changes, to ensure the interconnection between the former and future principles of management activity, emphasizing the positive elements of the existing system. Reform is a continuous process, and the task of each reformist authority is to facilitate this process by stimulating participants to change, drawing them directly into the transformation process, and helping participants abandon old principles and methods of work [14, p. 27].

Effective functioning of the updated executive authorities is possible as a result of the real rooting of the new organizational model into practice and public consciousness. For Ukraine, in the short- and medium-term perspective, the choice of an organizational model should be based on a combination of principles of linear, adaptive and preventive (in different proportions, reflecting the peculiarities of culture, the level of economic development, the degree of political pluralism, etc.) model. We draw the following conclusion, observing the asymmetry of the system of executive authorities in the countries of the world. Against this background, the practical utility of self-organization is continuously confirmed that the most effective systems of executive authorities are built and operate on the principles of self-organization, such as Japan, the United States, France, and the United Kingdom (despite the disadvantages that hinder the full functioning of the system) [2, p. 41-42]. Each state for the implementation of the executive reform concept should consider all existing organizational models, their practical positive and negative moments, national specifics (in the process of implementation), and many other factors of world and national significance. Given the above, we determine the conditions for effective organization of public administration reform for Ukraine.

1) Multidimensional activity of executive authorities. This means the ability to respond to unexpected and sudden challenges and situations. The executive authorities system should be characterized by sufficient branching. For example, there should be at least ten ministries, with different types sectoral, functional, ordinary.

2) Administrative activities. It is a question of applying linear hierarchical structures to the inviolability of the state functions as a universal social arbiter.

3) Straightness of activity. Activity characteristics are the stability of guarantees of human rights and freedoms; starting social opportunities and realization of socially significant interests; preservation and increase of professionalism in executive bodies and others.

4) Rationality of centralization and decentralization.

Maximization is always desirable for the delegation of authority from the center to administrative units, because it embodies the principles of freedom, autonomy, self-determination, initiative, specializes and distributes material and financial costs. The practice of total decentralization has revealed the decentralization threshold, which exceeding the collapse phenomenon of executive organizational integrity begins.

5) Correct proportion of permanent and temporary (design) principles. Temporary organizations are economically profitable, but there is no need to ignore the far-reaching prospects, worrying only about the creation of temporary ties.

6) Correct dosage of formal and informal methods of organization. It is not necessary to absolutise informality, it is wise to incorporate a certain dose of formal rules into the organization functioning.

7) Correspondence of the organizational structure to the political conditions. The specifics is that the executive authorities have some monopoly rights (tax collection, representation of the population interests in international relations). The executive authorities act as the instrument for which different political forces compete.

8) The presence of «organizational memory». Radical reforms in the executive authorities system did not violate the historical heredity of organizational forms in countries such as Great Britain, Japan, USA, Germany, and Poland. The practical methods of the dialectical negation of the old principles were not used in the transition from the linear hierarchical model to the adaptive model.

9) Optimal psychological environment for effective work of employees. The material environment and the psychological atmosphere are systemically connected.

10) The possibility of organizational standards to adapt to individual characters, which is not accompanied by a standards reduction. It is necessary to create avant-garde standards - operational and short-term range except the career prospects.

To our opinion, the process of reforming as a process depends on many factors, but the most important of them is the observance of the basic principles formed at the beginning of the reform process and the effective use of human, technical and financial resources. The causes of ineffective work can be eliminated, but it is necessary to see the problems, accordingly realize and systematically overcome them. Agencies do not see problems within their structure, and therefore, ways of counteracting and preventing problems are ignored. Another problem is the narrowness of perception generated internal crises and aggravated the situation. In this case, each problem should be considered in a versatile way horizontally (finance, production, human resources), and vertically (different levels of the power hierarchy). In management, they are not structural, but functional issues are decisive, as evidenced by centuries-long practice. Anti-bureaucratic reforms will only become effective when the non-bureaucratic methods and principles of activity are implemented into the state administration apparatus. The barrier of a successful process of public administration transformation is the lack of awareness of the citizens and employees of the executive authorities on the progress of the reform, its main directions and measures for implementation.

The real conditions for the development of the Ukrainian society require greater flexibility in the approaches to the processes of reforming the executive authorities system. Democratization in the political, economic and legal spheres of public life has led to a weakening of the power system. The mechanisms of the old Soviet state became ineffective under the new geopolitical and geo-economic conditions. The construction of an effective state-management system is realizing in Ukraine for the second decade. It requires radical and complex actions. It is useless to hope for qualitative progress in the economic and social and humanitarian spheres without building a rational and effective government system.

### **Conclusions.**

The prerequisite for effective reform in our country is the experience of foreign countries investigation in organizing the reform of executive power, the clarification of the political context, stages and peculiarities of its implementation. Contributing factors and barriers are defined In the process of transformations analysis for the implementation of reform plans in foreign countries. Contributing factors include the emergence of innovative ideas, recognition of the need for changes in the executive branch, the presence of a strong leader capable of developing a new idea, and others. The main counteracting barriers for development and implementation of the reform concept are: stability of institutions and state authorities and their reluctance to change existing living conditions; complex procedural mechanism of decision-making, including the reform project and its further mechanisms for its implementation; a significant resistance to the reform of officials who lose stability and confidence in their organization. Based on the analysis of the works of foreign authors, it can be determined what measures should facilitate perceptions of reforms and adaptation to them within any organization. First of all, it is: a change in corporate consciousness, philosophy, priorities; changes in the values and norms of the organization's functioning; changes in organizational views and styles, creating a healthy stimulating environment for effective work; work in a team; introduction of innovations, their consolidation and improvement; use of modern technologies; training, retraining, trainings for strengthening the qualities of leadership, the prudence in making managerial decisions; changes in the style of communication between members of a certain organizational structure; changes in incentive methods and awards; development of organizational capacity.

Basic conditions defined the effectiveness of structural reforms of public administration in Western Europe and the US: comprehensive, encompassing the complexity and interconnection of various parts and levels of government; transfer many administrative functions decentralized institutions that more effectively work with clients on specific rights agent through public services; redistribution of administrative functions with the need to highlight the level of strategic management industry or area of control. Certainly, these provisions characterize the current level of these countries development and apply primarily to them. But other states, which, like Ukraine, are solving complicated, sometimes unique tasks of improving their state apparatus, their experience should be implemented.

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**PREVENTION OF CORRUPTION IN THE SPHERE OF PRIVATE  
ECONOMY: INTERNATIONAL STANDARDS AND PRACTICE OF THEIR  
IMPLEMENTATION**

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**Abstract.** *The article deals with the challenging issues of development and adaptation to the domestic legislation of international standards for the prevention of corruption crimes in the field of private economy. The anticorruption compliance has been characterized as one of the important components of the management of corruption risks. The requirements of the main anti-corruption laws have been considered: FCPA (USA), Bribery Act 2010 (Great Britain) and national legislation - as well as recommendations of regulators and international standards (ISO) in the field of compliance. It is noted that the problem of corruption can not always be solved, based on classical instruments of criminal law influence. It is possible to solve these problems by introducing corporate responsibility tools into the national anti-corruption practice. On the basis of the research, it was concluded that it is necessary to use non-legal instruments (anti-corruption training programs for personnel, establishment of business associations) capable of forming an appropriate level of legal consciousness in the business environment, which is, in our time, the main condition for counteracting corruption in the private economy.*

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**JEL Classification: K14, K22**

**Introduction.**

Among the most pressing social problems facing modern Ukraine, corruption is a priority, it is not only closely linked to organized and economic crime, as seen from the analysis of normative legal documents (Criminal Code of Ukraine, Law of Ukraine "On purification of power", Law of Ukraine "On Prevention of Corruption", Law of Ukraine "On the National Anti-Corruption Bureau of Ukraine", Law of Ukraine "On Civil Service"), from analytical researches (Analytical reports of the National Agency on Issues of corruption prevention), from programs, devoted to combating this socially dangerous phenomenon, which in general negatively affects the state, society, every citizen of Ukraine.

Last 2017year, Ukraine ranked 130th out of 180 countries (along with Iran and Myanmar) in the Corruption Perception Index, drawn up by the international organization Transparency International. At the same time, corruption in the country has gained positive dynamics during 10 years, taking into consideration that in 2007 Ukraine ranked 118th place in this ranking [23]. It should also be noted that Ernst & Young, an international audit firm, traditionally portrays Ukraine to the most corrupt countries in the world [22], and the very issue of corruption has become the most acute issue affecting the national security of the country, the prospects for its economic and political development.

In recent years, B. M. Golovkin, S.O. Baranov, Yu.V. Demyanchuk, L. A. Zubkova, I.V. Masliy and others have considered the criminological problems of combating corruption in Ukraine. The problems of combating corruption in the economic sphere are considered in the writings of L.V.Raietska, M.V. Pobuta, V.G. Khakhanovskiy and others. At the same time, there is a certain shortage of studies devoted to the analysis of international experience in combating corruption in the business sector of the economy.

The aim of the study is to review the recognized international standards for the prevention of corruption in the private sphere and to develop real functional anti-corruption compliance programs. As far as latent corruption offenses are concerned, which are usually not covered by official statistical reporting, the study of international standards and taking into account international experience in the prevention of this category of crimes is an extremely difficult scientific task. Consequently, borrowing the experience of developed countries in the implementation of anticorruption compliance seems to be worth attention.

### **1. Corporate responsibility of legal entities as a prerequisite for the implementation of anti-corruption criminal policy in the private sphere.**

Nowadays, many western researchers recognize corruption as a multi-faceted criminological problem that impedes the stability, the growth and the competitiveness of the economy. It complicates investment, leads to unjustified increases in costs for companies and ultimately entails serious legal and reputational risks. Corrupt practices harm all commercial enterprises, including large and small companies, international and national corporations. Corruption is recognized as the most serious obstacle to doing business in 22 out of 144 countries [21]. and at the European level more than 4 out of 10 companies consider corruption to be a problem for doing business, and this also applies to patronage and nepotism. When asked whether corruption is a problem for doing business, 50% of construction companies and 33% of telecommunications and information technology companies responded that it is a serious problem for the present. The smaller the company, the more often, corruption and nepotism become a problem for doing business [20].

Based on the foregoing it should be noted that the fight against corruption is of strategic importance to business. Based on the opinion of Western experts [8, 9, 20], it is possible to distinguish the following criminological reasons that most contribute to corruption in the sphere of private entrepreneurship:

- 1) bureaucratic obstacles and obstacles in the process of solving certain issues of entrepreneurial activity;
- 2) growth and significant manifestations of corruption throughout the system of social relations;
- 3) the desire of entrepreneurs to quickly resolve, and with the benefit, certain issues of their activities, if this decision depends on other persons;
- 4) imperfection of the legislation regulating entrepreneurial activity;
- 5) lack of real support for the development of private business by the state;
- 6) reluctance of entrepreneurs to turn to the law enforcement authorities for the facts of corruption they had to face;
- 7) moral and legal "negligence" of the entrepreneurs themselves;
- 8) engagement of certain subjects of private business by state bodies or individual state officials;
- 9) lack of internal effective mechanisms of counteraction to corruption in the sphere of private entrepreneurship;
- 10) lack of a fully competitive market environment;
- 11) engagement of certain subjects of private business with criminal structures;
- 12) closeness of the activities of private entrepreneurship from society.

Thus, the manifestation of corruption in the field of private entrepreneurship is affected most of all by artificial barriers created by officials of certain bodies of state power and management, with which businessmen have to contact in the process of their activities, all sorts of difficulties and obstacles in the process of solving those or other issues that have become the subject of referral to them by relevant entrepreneurs. At the same time, such behavior of state officials organically complements, to a certain extent, the aspirations of businessmen themselves to quickly, and most importantly, advantageously to resolve for themselves the issues of their activities, concerning which a corresponding decision of the state authorities and their officials is necessary. In this regard, it is necessary to define the causal links of the manifestation of corruption in the relations between the state and private business as mutually determinative.

Western experts draw attention to the devastating impact of corruption practices on the business environment, requiring rigid measures by government and entrepreneurs to reduce corruption risk. It is noted that traditional criminal law measures, aimed at punishing a particular subject of entrepreneurial activity, are far from always effective, and western companies are often involved in corruption offenses committed on their behalf by their own leaders or employees, to prove their involvement to committing corruptive crimes is difficult. Such situations arise, as a rule, when implementing multi-stage commercial transactions requiring a large number of approvals with state authorities, obtaining permits, licenses, etc. At the same time corporations often provide illegal rewards to high-ranking officials, for example, for the possibility of obtaining an important contract and concession.

It should be noted that world practice demonstrates many examples of the fact that not only individuals, but also corporate (collective) entities are subjects of corruption crimes.

First, the company concerned may give a bribe for listing it on the list of participants in a future tender for the right to receive an important contract and limit the number of its participants.

Secondly, it can pay for the receipt of confidential information about the maximum and minimum price thresholds, average price proposals and criteria for evaluating investment projects.

Thirdly, with the help of a bribe, it is possible to force the officials in this way to determine the terms of the tender, so that the bribe-maker turns out to be the only candidate who fully satisfies all requirements.

Fourthly, the company can simply buy itself a victory in the tender. Finally, after winning a contract, a company may, for a bribe, achieve overestimation of prices or privileges when receiving the quality of the product (products, services).

Here are some examples. In Indonesia, two German companies paid a bribe to an official of the state oil company at a rate of 20% of the cost of contracts for the construction of a steel mill. In Zimbabwe, a conspiracy between high-ranking officials of the Ministry of Postal and Telecommunications and the Swedish telecommunications company allowed the latter to circumvent the strict requirements of the announced tender. According to some reports, the amount of "rollback" was \$ 761 million. In a big corruption scandal in Singapore, several transnational companies and a high-level civil servant official have been involved. An official was bribed for providing confidential information about future tenders. However, it was not possible for law enforcement agencies to prove the involvement of specific entrepreneurs in participating in these corruption schemes [16, p. 33].

In such cases, western anti-corruption practice uses the liability mechanism for corporative responsibility for relevant corruption-related criminal offenses, which is a mandatory requirement of the Council of Europe Convention on Criminal Liability for Corruption (Article 18), the OECD Convention on Combating Corruption bribery (Article 2) and the United Nations Convention against Corruption (Article 26).

Let's pay attention to the fact that the common feature for all European countries, except Great Britain and Netherlands, is that the concept of criminal liability of a legal entity is relatively new. Without taking into account the two exceptions mentioned above, France was the first European country to introduce the theory of corporate criminal responsibility in 1994. In 1999, followed by Belgium, in 2001 - Italy, 2003 - Poland, in 2006 - Romania, in 2010 - Luxembourg and Spain, in 2012 - Czech Republic. Even in the UK, a country where legal entities have long been held to have criminal responsibility, most of the offenses, for which such liability comes, have been documented in legislation only in recent years. In Holland, until 1976, legal entities were liable only for tax offenses [12].



Corporate responsibility tools assume that responsibility for committing corrupt crimes lies with the entire corporation, used in Western practice when it comes to accountability for fraud, economic crime, money laundering, and so on. In identifying and prosecuting the real individuals who commit corrupt acts in commercial transactions, corporate responsibility helps to overcome the difficulties associated with complex structure and misunderstood decision-making in large companies, allows to confiscate assets, impose economic sanctions on companies that commit corruption acts [16].

Legislators of many foreign countries have expanded the scope of criminal prosecution for corruption crimes, including corporate (collective) units in the number of their subjects. Thus, corporate criminal responsibility for corruption crimes is established by Art. 504bis (Corruption in the Private Sector) of the Criminal Code of Belgium; Art. 435-2, 435-3, 435-4 (Active corruption) of the Criminal Code of France; Art. 225 (bribery) and art. 227 (graft) of the Criminal Code of the Republic of Lithuania; Art. 353 (Active bribery) of the Criminal Code of Macedonia; Art. 391 (Transfer of property to state bodies, state-owned companies, enterprises, industrial organizations, people's associations, or the issuance of various commissions, agency fees in the course of conducting economic activities in violation of state establishments in order to obtain unlawful benefits) and Art. 393 (Bringing a bribe for the purpose of obtaining illegal gain or violating state regulations) of the Criminal Code of the People's Republic of China and other legislative acts [15].

It should be noted that in Western practice of entrepreneurial activity, if companies do not take the necessary precautions or allow themselves to be involved in corruption, they face negative legal and commercial consequences. In particular, non-prevention of corruption can lead to the imposition of legal sanctions on a company and / or a corrupt employee (fine, imprisonment), to commercial restrictions (blacklists, prohibition on participation in public tenders), in addition, such companies have a reputable loss, which ultimately reduce the overall profitability of the business [13].

In this regard, Western experts draw attention to the fact that legal means of combating corruption should be used in parallel with illegal forms of counteraction to this phenomenon.

In this context, Western practice of combating corruption with the use of unfair means is of interest and, in particular, it is about programs of anti-corruption training of employees of corporate structures.

This form of countering corruption has proven its effectiveness in cases where companies that have adopted an anti-corruption program or code of business conduct, provide their employees and business partners with appropriate training on anti-corruption policies, values and procedures of the company.

The specific content and frequency of training are based on an assessment of corruption risks, which are individual for each company, that allows to create customized corporate anti-corruption training programs.

Regular and compulsory educational activities ensure the formation of knowledge and experience among employees for the detection and response to corruption. The company's managers are obliged to participate in training in order to be able to form key corporate standards in the field of anti-corruption.

Highly-risked personnel, for example, managers of the procurement department, undergo an in-depth specialized training. The course examines HR standard situations in which there may be risks of corruption, dealt with practical examples, including those that exhibit the behavior of the company and individual employees in specific situations related to corruption risks ..

For training, self-learning media channels, such as web sites, emails, or computer training courses, can be used. Such media channels should provide a simple and low-cost distribution of educational materials [10].

In order to increase the impact on the employees of companies, the training can be organized in special cases or for special reasons such as organizational changes (for example, the appointment of a new manager) or regular shareholders meetings. Training seminars should be documented in order to ensure that their effectiveness can be assessed. Suitable training documents and records will enable the company to protect itself best in cases of corruption charges, including procedures for liability for criminal offenses committed by executives and employees of the company.

In the process of implementing corporate anti-corruption policies, companies may face unfavorable competitive conditions and may even be subject to exposure by companies that do not adhere to anti-corruption standards. One of the opportunities to counteract such risks is to participate in joint events with partners who are in a similar situation and face similar problems.

Companies, corporations, and private entrepreneurs who take part in joint initiatives can more effectively achieve common goals than if they acted separately. Joint actions of private business aimed at combating corruption can be offset to a certain extent by the weak national anti-corruption legislation and the practice of combating corruption in the business sector. Joint anti-corruption initiatives can be implemented in the private sector based on the development of balanced standards of relationship with larger companies, with public authorities, may include joint support for companies and entrepreneurs facing corruption.

Within such initiatives, in Western countries, business associations of a specific region or business sector are created, which are becoming an important tool for enhancing the effectiveness of anti-corruption initiatives, business legal support, and the crucial issue of counteracting corruption [13]. The advantage of collective action is that they are more coordinated and cost-effective than self-sustaining efforts of corporations aimed at counteracting corruption. Business associations are becoming platforms for companies to reach agreements and commit themselves to compliance with ethical standards and other common anti-corruption measures.

## **2. International standards for the prevention of corruption in the sphere of private economy and their implementation in the national legal field.**

The analysis of foreign experience shows that a tangible progress in combating corruption has been achieved by countries that use a comprehensive approach for preventing corruption, which involves the use of a system of political, legal, organizational, economic and other measures aimed at eliminating its causes. Ukraine tries to get closer to countries that plan their corruption prevention measures on the basis of deep research and understanding of the causes of corruption. VCAs ("vulnerability to corruption assessment") can be carried out by assessing and monitoring corruption risks in Ukrainian public institutions as well as in private law ones in accordance with the European standards and the best world practices [26]. Among the common international standards in the counteracting corruption should be noted the Council of Europe Criminal Law Convention on Corruption and the Additional Protocol to the Criminal Law Convention on Corruption, the Civil Law Convention on Corruption, which Ukraine has already ratified [6, p. 25-29].

A number of international legal acts are devoted to preventing the commission of corruption crimes, in particular: - the Council of Europe Criminal Law Convention on Corruption (ETS 173) dated January 27, 1999; – The UN Convention against Transnational Organized Crime of November 15, 2000; - UN Convention against Corruption of October 31, 2003; - EU Convention on the fight against corruption among officials of European Communities or officials of the EU member states, adopted by the Council of the European Union on May 26, 1997;– EU Framework Decision on combating corruption in the private sector of July 22, 2003; - Inter-American Convention against Corruption of March 29, 1996; - The African Union Convention on the Prevention and Combating of Corruption of July 12, 2003 [5, p. 251]. Ukraine ratified the Criminal Law Convention on Corruption (ETS 173 of October 18, 2006), the UN Convention against Transnational Organized Crime (February 4, 2004) and the UN Convention against Corruption (October 18, 2006 ) [14, p. 42-48].

For a long time, the issue of preventing corruption related to public relations, but recently, due to the complexity of the problem, the world has begun the fight against corruption in the private sector. The resolution of the problem of corruption in the "business environment" is established by the following normative legal documents, such as those of the international community - Framework Decision of the Council of the European Union "On Combating Corruption in the Private Sector" of July 22, 2003, No. 568, as well as local ones - US Law on Corruption in Foreign Economic Activity (Foreign Corrupt Practices Act), adopted in 1997, and the Law of Great Britain on Bribery (UK Bribery Act) 2010 [18, p. 66-71]. These laws have an extraterritorial effect. Let's consider in more details US legislation, the norms of which apply to Ukrainian subjects. It is well known that the first law, which provided for criminal liability for corruption offenses abroad, was the so-called FCPA (Foreign Corrupt Practices Act), - the Law on Corruption Prevention abroad, which was enacted in the United States in 1977, with the aim of: preventing and refraining from paying bribes to foreign government officials; greater transparency in financial reporting; creating a competitive environment for companies operating abroad [3].

Each US company that deals with business abroad is subject to the Foreign Corrupt Practices Act (FCPA). This Law applies to individuals and legal entities who have committed corrupt practices in the United States; legal entities and their affiliated companies that operate outside the United States if the shares of such companies are located on the US stock exchange or if they make an unlawful payment to a US official [7]. The FCPA's provisions on bribery as a whole, and § 78dd-1 specifically prohibit the citizens, who carry on businesses, or the US firms, as well as their officials, directors, employees, agents or controlling shareholders, to offer, pay, promise or allow payment of money or "other things that are important to "foreign officials" in order to "get or keep business" or to provide an improper advantage [1]. The provisions of the FCPA anti-corruption program prohibit not only direct corruption payments to a foreign official for the receipt or maintenance of business [17], but also indirect payments made through third parties. The FCPA precludes the payment of "any person knowing that all or part of such money or items of value will be offered, provided or promised, directly or indirectly to any foreign employee" [2].

To minimize key risks, the FCPA offers a number of practices for carrying on business abroad indirectly through outside representatives, consultants, agents, or distributors. The US Department of Justice and the Bureau of Securities and Exchange Affairs of the US Foreign Corrupt Practices Commission (Guidance) suggest that an American company that carries out business abroad through third parties should conduct a risk assessment based on the specificity of the business relationship. For example, an American company should carry out an "enhanced trust procedure" by creating a special specialist position of a consultant to purchase a contract with a foreign government agency. The FCPA provides a thorough review of his/her activities and his/her role in conducting transactions and evaluating the consultant's relationship with civil servants in relation to the proposed consultant. The management also suggests that the contract with the proposed consultant determines which services the consultant will provide. It is also recommended that the company trains a FCPA and other anti-corruption laws consultant, requires the consultant to comply with FCPA and other anti-corruption laws, include rules for conducting an audit in the contract, exercise these rights, and provide appropriate support to the consultant. The control over such a complicated network of risks requires special attention and discipline by the company. Below are some of the practical steps that a company can take to minimize the risks of third-party FCPA firms:

1. *Transfer to the third party (FCPA compliance officer) the documentation before the basic commercial verification.* A company worried about mitigating the risks of corruption should ask why the interest of third parties makes sense from the point of view of business regardless of whether the third person was chosen as competent and experienced, and whether the proposed compensation is reasonable, habitual and relevant. In addition, before engaging a third party, the company must conduct a thorough check-up using publicly accessible databases to verify the third party for integrity.

2. *Conducting a questionnaire.* The FCPA questionnaire should be designed in such a way that risks of violation of anti-corruption legislation. As a minimum, a third party must obtain for inspection the following: information about the owners / directors and board of directors, including the percentage of the ownership of company's members , as well as their relationships with other companies in which everyone may have an interest (with a special emphasis on relations with the government); information about related companies, business, bank and credit certificates; information on relationships with existing or former government officials or political parties, including relations of close family members in government.

It should be noted that the competent authorities, responsible for applying the rules of the United States Anti-Corruption Abroad Act (FCPA), assess not only the company's internal anti-corruption documents (i.e. anti-corruption policies), but the Compliance Program as a whole. The Law of Great Britain on Bribery (UK Bribery Act), 2010. This law provides for liability for the provision or offer of bribes, grafts to civil servants of foreign states; the company's inability to prevent bribery. The law applies to companies that conduct business through subsidiaries or affiliates in the UK; have assets in the UK; conclude treaties in the territory of this state or agreements having relations with the United Kingdom; carry out other activities that are linked to the territory of the United Kingdom [4]. Violation of the law recognizes not only corruption actions against civil servants, but also such actions in relations between private organizations. Thus, the UK Bribery Act is much wider than the American FCPA, which only deals with bribery of civil servants. According to the UK Bribery Act, each company is required to: 1) implement "anti-corruption procedures"; 2) form the "ethical standard of the irreconcilable attitude of the company's employees to bribery" by the management of the company, periodically assess "the tolerance of its counterparties to bribery"; 3) conduct regular monitoring to detect the corruption of its employees [24].

Proceeding from the fact that the phenomenon of corruption has embraced all aspects of life and has all signs of corruption-related crimes, the problem of international standardization of prevention of corruption is taken up not only by the authorities of the states and the international community [19, p. 116-117]. The activity of the International Organization for Standardization (ISO) (International Organization for Standardization) is an essential asset in the field of prevention of corruption. «ISO "is an independent non-governmental international organization whose activities involve the national standardization bodies. This organization consists of experts who share best practices and develop voluntary, consensus-based standards. International standards contribute to innovation and global challenges. The ISO Central Secretariat is located in Geneva (Switzerland).

Regarding the issue of corruption in the private sector, the standard ISO 37001 - 2016 "Bribe Management Systems" deserves attention.

This standard includes requirements concerning management practices for management teams of enterprises, institutions and organizations that help organizations to fight corruption through the creation of a culture of integrity, transparency and consistency. The system for controlling bribery may be an independent system or integrated into an already implemented management system, such as the Quality Management System (ISO 9001). An organization may choose to introduce a system for controlling bribes in conjunction with other parts of the system, such as occupational safety and security. Anti-corruption methods and tools described in the standard include: adoption of a policy to combat corruption, which requires from the senior management the appointment of a person to monitor the implementation of anti-corruption activities; provision of personnel training; carrying out an assessment of the risk of corruption and due diligence on projects and on business partners; as well as the implementation of financial and commercial control, reporting and investigative procedures [11].

International standards for the prevention of corruption in the private sector have been reflected in the formation of a new Anticorruption Strategy of Ukraine. In particular, on the basis of a comprehensive analysis of the implementation of the previous anti-corruption strategy, a number of conclusions were made, given by the OECD to Ukraine in monitoring the Istanbul Action Plan [2], which were used by the Government when working on the draft Law of Ukraine "On Anticorruption Strategy for 2018-2020". Here is a summary of the main findings of the OECD study on corruption in the private sector in Ukraine based on the implementation of the Anti-Corruption Strategy 2014-2017, namely of the Section 6 of the mentioned Strategy [2].

The state program provided only a limited contribution to the development of business integrity. The development of a model model for compliance with state-owned and public procurement companies is a good initiative, but it should be promoted in order to have a visible impact on business practices. In this regard, attention to the integrity of the business of state-owned enterprises should become a priority for the government. Ukraine has taken several important measures to simplify business legislation; The latest steps to simplify licensing and permissions are positive events. However, most of the activities envisaged by the "Carrying on Business" Roadmap have been delayed and remain unenforced. In addition, the main challenge to free the Ukrainian economy from the control of the oligarchs is still to be resolved. E-government solutions provide an important contribution to improving the business climate and preventing corruption. In this regard, ProZorro's e-Procurement system is a key achievement. However, this system concerns only one part of the procurement process - the transparency of the bidding procedure - and further work is needed to clean up public procurement against corruption. Ukraine has improved the transparency and disclosure of business related information, by a good example of the coverage of the owners of the beneficiary companies. Further efforts are needed to improve disclosure requirements for companies. Ukraine has taken limited steps to develop a lobbying law, for example, the creation of a working group in Russia Parliament will be developed as a bill; however, no real result is produced.

The establishment of the Ombudsman's Council provided the business with a powerful tool for reporting corruption, without fear of prosecution or other adverse consequences, to obtain protection of legal rights, as well as the ability to systematically solve the most common problems. Independence and professionalism of the BOC allowed the agency to gain the trust of the companies in the power of Russia, which, in turn, prompted them to initiate collective actions for the observance and integrity of UNIC. It is very important for Ukraine to build this great progress and take further steps. BOC Strengthening and UNIC support should be among these steps. Increasing the involvement of other government bodies such as the Ministry of Economy and Trade and the National Agency for the Prevention of Corruption will be important to ensure the integrity of the business to ensure the stability of this work. Guided by European principles on the basis of international standards for the development of anti-corruption compliant programs, the Cabinet of Ministers of Ukraine approved the draft Law of Ukraine "On Anticorruption Strategy for 2018-2020". The draft law was drafted by the National Agency for the Prevention of Corruption in order to identify a set of measures aimed at reducing corruption in Ukraine and further promoting anti-corruption initiatives in the country. At the same time, the definition of measures to achieve each of the following results was carried out with the obligatory consideration of the recommendations provided by the Group of States against Corruption (GRECO) based on the results of the fourth round of evaluation of Ukraine [27], as well as recommendations provided to Ukraine in monitoring the Istanbul Action Plan for the countries of the OECD anticorruption network. Prepared on the basis of analysis of the situation regarding corruption, as well as the results of the implementation of the previous Anticorruption Strategy, the draft law aims at achieving the following results [25]:

1) ensuring the implementation of effective anti-corruption policy by improving the legal regulation of issues of preventing, identifying and counteracting corruption, identifying and eliminating the causes and conditions conducive to its manifestations, forming intolerant attitudes towards corruption in society in all spheres of public life and in the private sector;

2) increasing transparency in the activities of representative bodies, strengthening the financial discipline of political parties, adherence to the established procedure for receiving contributions from individuals and legal entities, and introducing an electronic reporting system for political parties;

3) carrying out the necessary anti-corruption measures in executive bodies and local self-government bodies, ensuring transparency in their activities and significantly reducing their corruption;

4) completion of the reform of the judiciary and criminal justice bodies in Ukraine, ensuring the integrity of prosecutors, significantly reducing the level of corruption in the activities of the prosecutor's office and eliminating corruption risks in the legal process;

5) counteraction of corruption in the process of privatization and management of public resources;

6) elimination of corrupt business preconditions, formation of favorable business climate for abandoning corrupt practice and intolerant attitude of business towards corruption;

7) strengthening the system of detection and investigation of corruption crimes and corruption-related offenses, confiscation of property that was the subject of or proceeds from criminal activity, return of confiscated proceeds of crime, from abroad, ensuring the inevitability of bringing to justice those who committed corruption or corruption-related offenses;

8) forming in society a climate of intolerance to corruption, creating public confidence in anti-corruption policy of the state and positive attitude towards the perpetrators, as well as systematic involvement of the active part of the population, public associations, business representatives in anti-corruption measures.

### **Conclusions.**

Based on the above results of this study, the following conclusions can be drawn:

1. It is obvious that for the sphere of private entrepreneurship a rather large degree of corruption is characteristic. To a large extent, this is due to the desire of officials to obtain an illegal benefit from the use of their official position, as well as to low social responsibility of business, low level of development of legal consciousness of entrepreneurs, ready to solve their problems using complex corruption schemes. Under these conditions, as the world practice shows, the problem of corruption can not always be solved, being based on classical instruments of criminal law influence. It is possible to solve these problems by introducing corporate responsibility tools into the national anti-corruption practice. At the same time, the world experience in combating corruption in the field of private business speaks of the need to use non-legal instruments (anti-corruption training programs for personnel, creation of business associations) that can form an appropriate level of legal consciousness in the business environment, which is, in our time, the main condition of counteraction to corruption in the private economy.

2. In developing or adapting anticorruption compliance to international standards, it is necessary not only to improve the norms of Ukrainian laws that contain a ban on committing unlawful actions. It is necessary to create such a document that would be a set of rules covering, in addition to creating and implementing anti-corruption compliant programs that are viable in modern Ukrainian realities, as well as the whole process of operation of the enterprise. As a rule, during such work it is necessary to determine the principles and procedure of interaction between employees of the enterprise both among themselves and with other legal entities and individuals, describe the rules of internal and external control, in particular, the issues of reporting, audit, internal inspections and investigations, and provide for educational process and rules of personal responsibility. Undoubtedly, the application of compliance in Ukrainian practice should be a priority for enterprises, but at the moment we have insufficient research of the causes and mechanisms of corruption, the incentives for financial and economic corruption in Ukraine, and the role of the state in counteracting its various manifestations. It is necessary to understand that, since companies are both objects and subjects of corruption, it is extremely important to involve the private sector and business associations in the development of anti-corruption projects, however, leaving the state a priority in this process.



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## **DEVELOPMENT OF INTERACTION OF BANKS WITH SMALL AND MEDIUM ENTERPRISES IN THE CONTEXT OF DIGITALIZATION OF THE ECONOMY**

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***Abstract.** The study examines the processes of transforming the relationship between banks and small and medium enterprises under the influence of digital technologies. It is proved that the digital transformation of the activity of banks requires the formation of new marketing tools and methods that can be implemented on the basis of marketing of integrated communications. An analysis of the use of digital technologies (CRM, ERP and cloud computing) by small business enterprises of different countries is conducted, leaders are determined. The necessity of constructing methods of measuring the influence of digital technologies on the activity of small and medium business enterprises, as well as the formation of a system for evaluating the results of the use of digital technologies, was substantiated. In order to manage the risks of digital technologies, the formation of legislative norms and provisions of joint regulation of the activities of the digital market participants was proposed.*

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**JEL Classification: G21, M13, O10, O39, K14**

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### **Introduction.**

In recent years, the banking system of Ukraine has been developing in difficult macroeconomic conditions: current trends in domestic banks include not only global trends (financial globalization, increased competition in financial markets, the development of digital technologies, the growth of risks), but also national characteristics (high level of credit risks, significant volume of problem loans and reserves on them; the relatively low level of lending to corporate, small and medium enterprises and the population compared to developed states and the accumulation of crises and imbalances in the economy).

Small and medium businesses of any country are an integral part of a market system, a powerful manufacturing sector, an important factor in innovation development and the efficient functioning of the economy in a digital environment. Small and medium-sized enterprises have certain advantages that contribute to qualitative changes in their interaction with banks: small scale activities, job creation for specialists with the necessary competencies, the ability to respond quickly to expectations of target markets and to quickly adapt to the new conditions of interaction taking into account the impact of digital

technologies on CRM basis (customer relationship management) - customer relationship management systems; ERP (enterprise resource planning) - enterprise resource management; use cloud computing services. Social media has become a new channel of communication with the consumer, in many cases more effective than traditional ones. In addition to digitization, the accelerator for the development of small and medium enterprises has been the reduction of transaction costs, the simplification of access to international logistics, and the reduction of transnational trade barriers.

However, small and medium enterprises in Ukraine, taking into account political and economic instability, increasing administrative pressure on enterprises, imperfection of legislative and regulatory provision, deterioration of investment climate and access to financial resources do not have the necessary conditions and resources for activating digitalization processes. These trends complicate and slow down the processes of interaction between banks and customers based on digital technologies and do not contribute to the implementation of the strategic objectives of the innovative development of the Ukrainian economy.

### **1. The Impact of Digital Technologies on Banking Marketing of Integrated Communications.**

In today's conditions, the emergence of the digital economy it is important to study its essence, features and impact on the development of banking activities and the interaction of banks with other sectors of the economy, including – with small and medium enterprises.

A significant number of scientists, both foreign (S. Dahlman, C. Mealy, M. Wermelinger [1], Knickrehm, M., Berthon, B. Daugherty [2], etc.) and domestic (S. Veretyuk [3], L. Kit [4], Yu. Onischenko [5], V. Pilinsky [3], etc.), pays attention in scientific works to the definition of the essence of the digital economy. For example, the most successful, in our opinion, is the proposed concept of digital economy by S. Veretyuk and V. Pilinsky: it is a constituent part of the economy in which dominate knowledge of subjects and intangible production and is a key indicator of the definition of the information society; takes into account the potential opportunities - as an unrealized transformation of all areas of the economy through the transfer of all information resources and knowledge to the computer platform [3].

Yu. Onischenko in her study of the evolution of theoretical approaches to the concept of “digital economy” identified three periods: the first (1995-2009) - characterized by the emergence of scientific thought about the essence of the concept of “digital economy” and the formation of basic digital innovations; the second period (2010-2015) on which the foundations of the digital economy organization are approved at the legislative level; feature of the third period (2016 – to present) is to conduct fundamental theoretical studies on the essence of the concept of “digital economy”, taking into account the practical experience of using digital technologies in various sectors of the economy [5].

The development of the digital economy leads to the need for transformation of relations in all areas, including in the banking sector.

Digital transformation of banking activity is a necessary component of the sustainable development of Ukrainian banks in financial markets and intensification of their relations with enterprises of all other sectors of the economy.

The problems of the impact of digital technologies on the banking sector are considered in a sufficient number of scientific works by contemporary foreign and domestic scientists: (Dzh.P. Zigrand, A. Menkveld, J. Kendal, D. Cliff, T. Vasilieva, V. Kornivska, L. Kuznetsova, O. Stepanenko, etc.), while the majority of authors as a whole outline the problem, but need further development as the definition of the essence and specifics of digital banking products in certain areas of banking activity, as well as an analysis of the possibilities of positive influence of digitalisation processes on the activity of customers of the bank.

That is, there is a need for banks to integrate digital technologies in interaction with consumers in the process of providing them with financial services, which causes significant changes in internal and external corporate and personal relationships in order to provide effective customer service [6].

Modern banking conditions require a constant updating of the product line, therefore innovations are not only an additional source of income for the bank, but also one of the main problems of maintaining and strengthening of its competitive positions in the market of banking services. At the same time, the problem of innovation lies not only in new technologies and products, but also in innovations in all banking resources: material, financial, organizational, managerial, etc.

In the conditions of the development of digital technologies in the future, only the bank that is focused on constant updating, innovation will be effective.

Leading banks of the world form in their management systems separate units that are engaged in the generation of ideas, the so-called labs of innovation, with their customers often involved in their work. This is another direction of attracting a customer to the internal business processes of the bank. Taking into account the relatively low costs and significant potential effect of introducing digital innovations, we consider this trend as perspective and compulsory in the construction of a modern innovation bank.

In determining the future of banks, it should be borne in mind that from the five main stages of digital banking transformation identified by the researches (the emergence of Digital-channels, the creation and implementation of Digital-products, the formation of a full cycle of digital customer service by the banks, the creation of artificial intelligence – Digital Brain and the construction of digital DNA, which will open up opportunities for the formation of new business models of the bank and the implementation of a differentiated approach) [6], the very first two are implemented on the basis of banking marketing tools.

The features of the above-mentioned first stages are the following:

- at the first Digital-channels are formed (networks of ATMs, Internet banks, mobile banks, chatbots), which change the relationship between banks and customers: in the centre of the ecosystem is a customer of banking services, which requires high-quality conditions for interaction with the bank for any available channels in the right time for him;
- at the second stage Digital-products are created and implemented: “Big Data”, contactless payments, virtual cards, E2E products (end to end), which satisfy the requests of bank customers 24 hours a day [7, p.46].

It should be noted that the banks of Ukraine are introducing elements of these stages, of which the most active are Monobank, Privatbank and Alfabank - only 3 out of 84 banks, as evidenced by the need to intensify the introduction of digital technologies in the banking sector of the Ukrainian economy.

The digital transformation of banks' activities requires the development of new marketing tools and methods that can be implemented on the basis of marketing integrated communications, as:

- firstly, the relationship between banks and customers is considered as a process of communication and interaction based on the management of clear and understandable processes and allows it to be divided into separate channels of communication and contact points, which the bank can effectively manage on the basis of modern digital technologies;

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- secondly, the use of modern marketing concepts contributes to taking into account the latest research in the digital market, modern trends in management and the requirements of consumers of banking services, which promotes the activation of digital technology implementation processes.

For the last twenty years, banks have used the marketing of relationships, so-called customer-oriented marketing, but digital transformation requires new approaches that, in our opinion, are inherent in the marketing of integrated communications.

The differences between marketing communication technologies and marketing of integrated communications, taking into account the possibilities of the latter for the development of digitalisation of banking activities, are presented in form of data in table 1.

As the table data show, integrated marketing communications are the basis for the development of digital technologies in all areas of banking, the goal of which is to achieve success in satisfying the needs of customers in high-quality modern services.

They serve as an important tool in the implementation of banking links with society in various sectors of the economy and contribute to the innovative development of the state.

To expand sales and create a positive image under the influence of digitalisation, banks create a communication model that requires abandoning passive adaptation to current market conditions and switching to active demand formation for digital services and products. Marketing communications are now actively used as an effective marketing tool, which includes the practice of bringing the necessary information to the consumers of banking products.

**Table 1. Main features of marketing of interrelations and marketing of integrated communications in the context of digitalization**

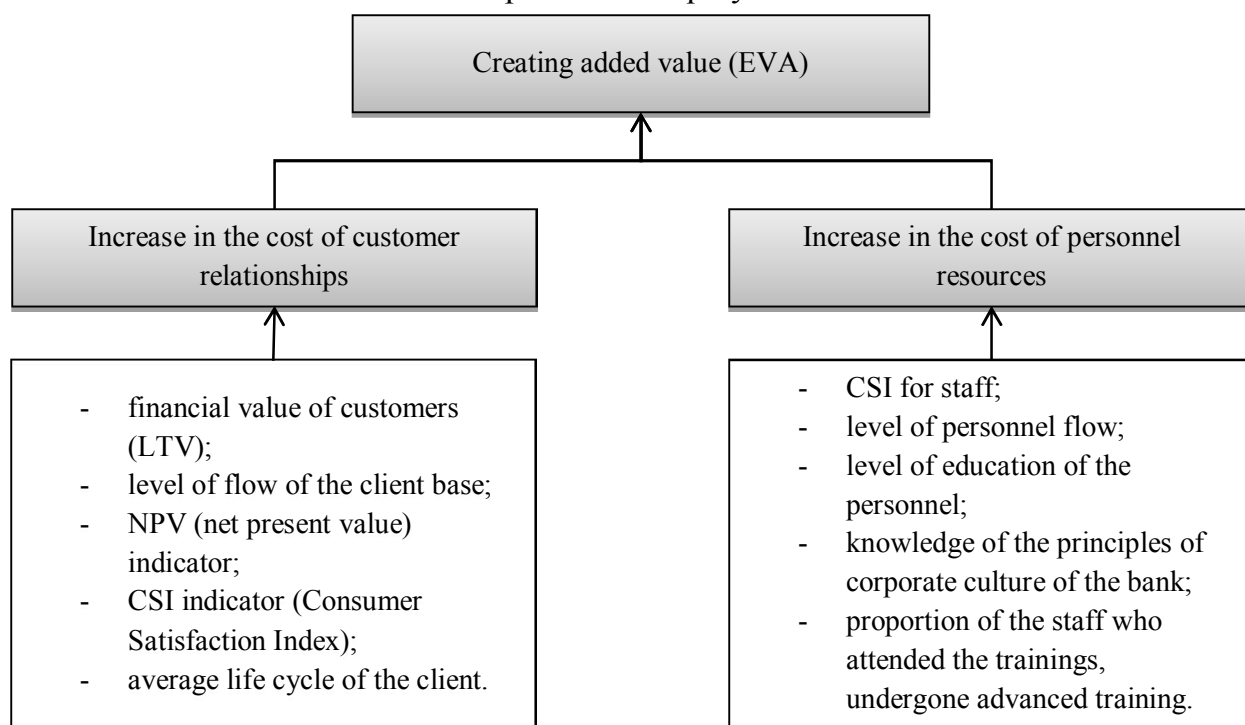
<b>Comparison on criterion</b>	<b>Relationships Marketing</b>	<b>Integrated Communications Marketing</b>
<b>Management object</b>	Relationship with the customer as an abstract concept, different from the client base	Customer relationship as a result of communication between the customer and the bank on the basis of digital technologies
<b>Management tools</b>	The marketing tools are tools that help retain customers and build their loyalty	Marketing set tools that promote the transformation of customer communications under the influence of Digital-channels, Digital-products and form loyalty
<b>IT-technologies share</b>	Marketing analytical programs, CRM-systems act as a subsystem of providing of marketing of interrelations	Digital technologies are a key element of the customer service system and at the same time they need to provide the necessary knowledge and competencies of the bank's staff and their customers.
<b>Basic concept</b>	Sale of what is necessary for the customer.	Sale by the bank of Digital-products to the customers that they need and which are provided by the most convenient channel for them

The implementation of integrated banking marketing communications has a competitive advantage, namely: as a result of use, it is always possible to achieve increased sales and certain profits, as well as the efficiency of the communication channel. Marketing communications are now actively used as an effective marketing tool, which includes the practice of bringing the necessary information to the consumers of banking products.

The implementation of integrated banking marketing communications has a competitive advantage, namely: as a result of use, it is always possible to achieve increased sales and certain profits, as well as the efficiency of the communication channel.

To achieve the goal of marketing integrated communications - increasing sales and certain profits, it is necessary to deduct the actions of key performance indicators for both the external customer and for the internal customer (bank staff). The peculiarity of this approach is that the usual indicators, such as profit, profitability of a product or a customer, cannot fully reflect the efficiency of the bank's activities and measures implemented. Such indicators should be the life cycle of the customer, its financial value, the level of customer flow, the NPV and CSI. The growth of all these indicators in turn positively affects the value added of the bank (EVA indicator) (Fig. 1).

EVA (Economic Value Added) is a financial management system that provides the basis for making sound decisions by the bank's staff and allows you to model, monitor, and evaluate decisions taken from value added position to equity investors.



**Fig. 1. Key indicators of marketing effectiveness of integrated communications**

This indicator is an integral financial indicator that combines the interests of bank staff both with the interests of customers in the organization of interaction, and with the interests of senior management and managers of business units of the bank. Therefore, in order to assess the effectiveness of the implementation of the tasks of banking marketing of integrated communications – increasing sales and profitability in the implementation of digital technologies - it is necessary to use this indicator. The concept of added value created Stewart Stern. The provisions of this concept for the current conditions of the banks may be interpreted as follows: under the influence of the digital economy, the owners of the bank invest their financial capital in digital technology for income generation; the bank introduces digitalisation for receipt of additional income; activities of the bank's staff are aimed at creating the added value of the stock on the basis of effective tools for motivating the provision of digital products and technologies to customers.

To achieve the desired result in the implementation of marketing integrated communications on the basis of digital technologies, it is necessary to form a set of marketing channels (Marketing Channel Mix). Consequently, modern marketing tools for integrated communications should address the following tasks: firstly, they form a positive image of the bank on the basis of the creation of coordinated communication messages through different channels; secondly, ensure achievement of maximum efficiency of marketing communications on the basis of search and use of optimal combinations of various means of a complex of marketing channels.



The application by the banks of the concept of marketing communications stipulates the elaboration of submissions, appealing to the customer's experience and its ability to interpret the information received. The process of management integrated marketing communications by the bank stipulates: coordinating marketing communications with corporate goals; coordination of strategy of marketing communications with functional activity of corporate blocks; integration within the marketing kit, taking into account the features of banking products and services, prices, distribution, positioning, promotion and PR, financial integration. Over the past decades, the practice of Ukrainian banks has been developing processes for the integration of marketing communications, the emergence and development of new active forms using the potential of previously used elements, and in recent years - innovative digital technologies.

Taking into account the high level of competition in the Ukrainian banking market, a stable position can only be taken on the basis of the transformation of the marketing strategy to cover the Internet space in order to digitize banking activities. In our view, banks should more actively use social networking opportunities, their own corporate blog and the site as a catalogue of products and services. Currently, practically all banks operating in the territory of Ukraine have functioning sites. However, some of them are just business cards and do not contain useful information for consumers. According to recent studies, for Internet users, information on the conditions for providing banking services is important not only for filling, but also the appearance of the site. Perhaps this was the reason for the involvement of leading design studios in the development of banks' sites.

It should be noted that corporate blogs are practically not used by Ukrainian banks. Officially PJSC CB "Privatbank" keeps a blog, which displays news of the bank, information and educational materials for the bank's customers. A number of Ukrainian banks conduct their blogs also in social networks, publishing there the latest news of the bank. According to GRAPE Ukraine [8], the most active banks of Ukraine are represented in the networks of Facebook (52%) and V Kontakte (34%). The leaders are PJSC CB "Privatbank" and PJSC "PUMB". At the same time, the growth rate of users of information remains low. In some banks accounts in social networks do not perform any functions. About 60% of the content is branded, 44% are contests and 22% are news.

As known, the main functions of social media are service and address interaction with customers; creation of integral digital-platform of the bank; reputation management; informing about promotions, news, technologies; loyalty growth; lead generation; work with employees; search for new employees. Ukrainian banks mainly use social networks to carry out HR-functions, advertise products and services, and form feedback with information consumers. The proper interaction of the bank with customers' needs clear allocation of duties of the responsible persons, while it must be considered that the formation of customer relationships should not be chaotic and random but meaningful, purposeful, orderly, consistent, consistent with strategic objectives, expertise and possibilities of the bank, its development concepts.

In addition, the possibility of activation of the processes of implementation of the digital technologies affects the state of the environment, especially in the sectors of the economy, the needs of potential customers in the digital banking services, their requests regarding approaches to digital service channels in the bank. Choosing by a bank of specific opportunities for the introduction of digital services and products depends on a large number of factors such as: the financial condition of customers (which will determine their requirements and possibilities of the use of bank digital technologies), the possibilities of the bank, level of its digitalization, financial and innovation strategy, size and segment, in which it operates, the level of competition in this segment.

## **2. Analysis of trends in the use of digital technologies by small and medium enterprises.**

With the growing role of digital technologies, companies of all sizes need to optimize the use not only of the data in their disposal, but also of the information they can get from communicating with customers, from their products and in the normal course of business. At the same time, the needs of small and medium-sized business companies differ little from the needs of large enterprises: they need tools that enable them to make the right decisions, open up new opportunities and meet customer requirements as they arise.

However, compared to large enterprises, small businesses are more likely to adapt to digital changes. Thus, due to new technological solutions, it can quickly introduce recent know-how to improve the quality of its services, as well as to improve business processes. For example, many small businesses engage in advertising targeting, implementing the simplest CRM systems for building customer relationships, and actively using site designers to create landing pages for their projects, outsourcing accounting under bank decisions.

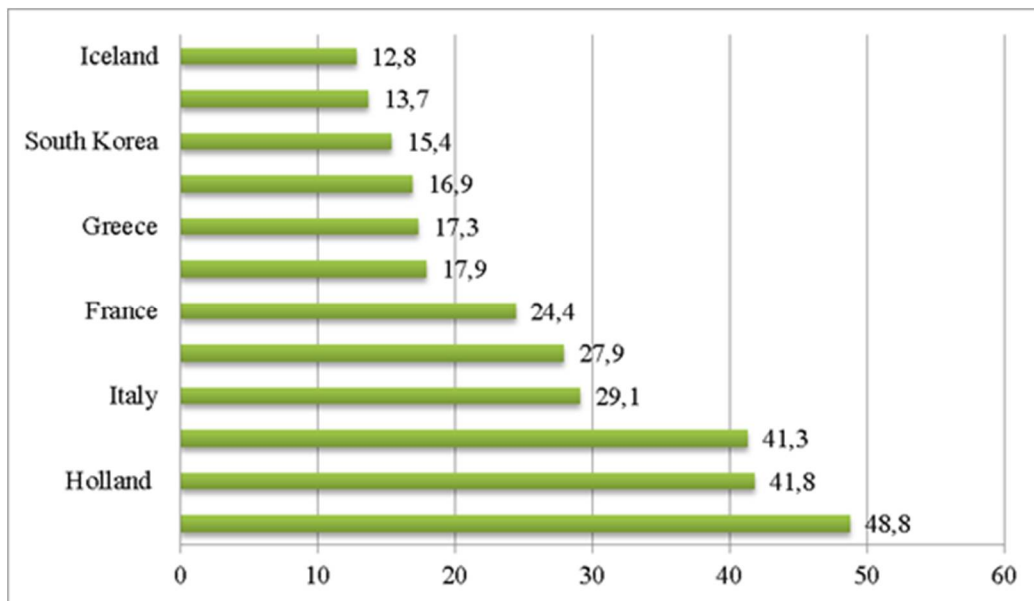
Small businesses, regardless of the type of activity, are recommended to integrate information and operating technologies in all business processes.

This will not only allow to optimize costs, but also to create the conditions for the future development of enterprises. The introduction of digital technologies will determine in the future the success of the development of small and medium enterprises. It is likely that such a change in the economy will allow Ukraine to overcome stagnation and make a breakthrough in the future. The development of the digital economy is a project unprecedented in scale, significance and impact on the life of not only the country but also each enterprise. The use of digital technologies upon organization of key business processes has become a powerful tool for improving efficiency for small and medium enterprises. The quality of accounting and control are significantly improved, effective tools for interaction with suppliers and buyers are formed.

It is important that the digital transformation of the banks' activities requires the formation of new marketing tools and methods that can be implemented on the basis of marketing of integrated communications, which has always required significant investment – for the purchase of software, training of specialists.

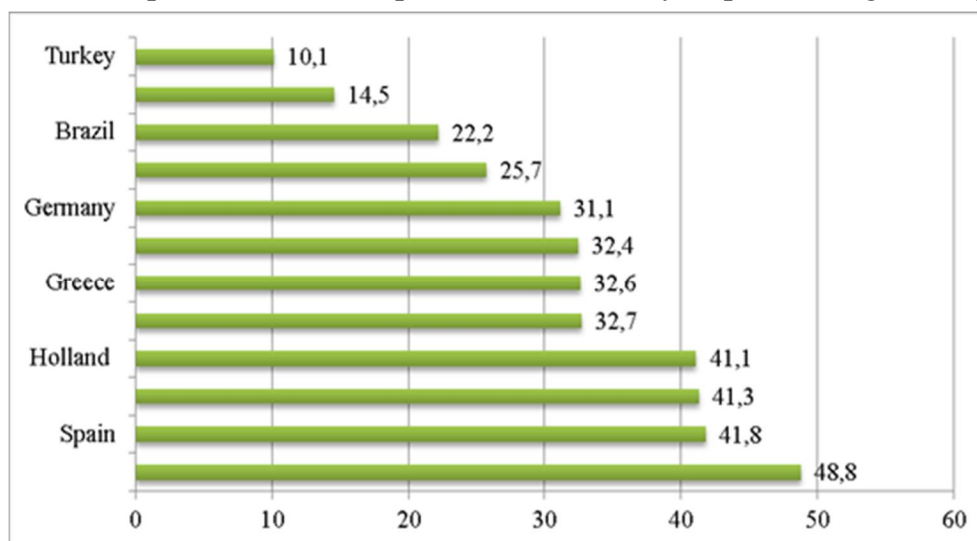
The current stage in the development of digital technologies is changing this situation, more and more small business companies begin to actively use modern digital instruments. There are three types of most commonly used solutions that have become the standard for successful business based on digital technologies: CRM (customer relationship management) - systems for managing customer relationships; ERP (enterprise resource planning) - enterprise resource management. Under the resources here everything is understood - from personnel and money to materials and equipment. ERP systems provide control, manageability and transparency of financial, personnel and inventory flows in the company. cloud computing services are used for many purposes (exchange of letters, data storage, complex calculations, access to artificial intelligence capabilities) [10].

Almost half of small business companies use CRM-systems (Fig. 2).



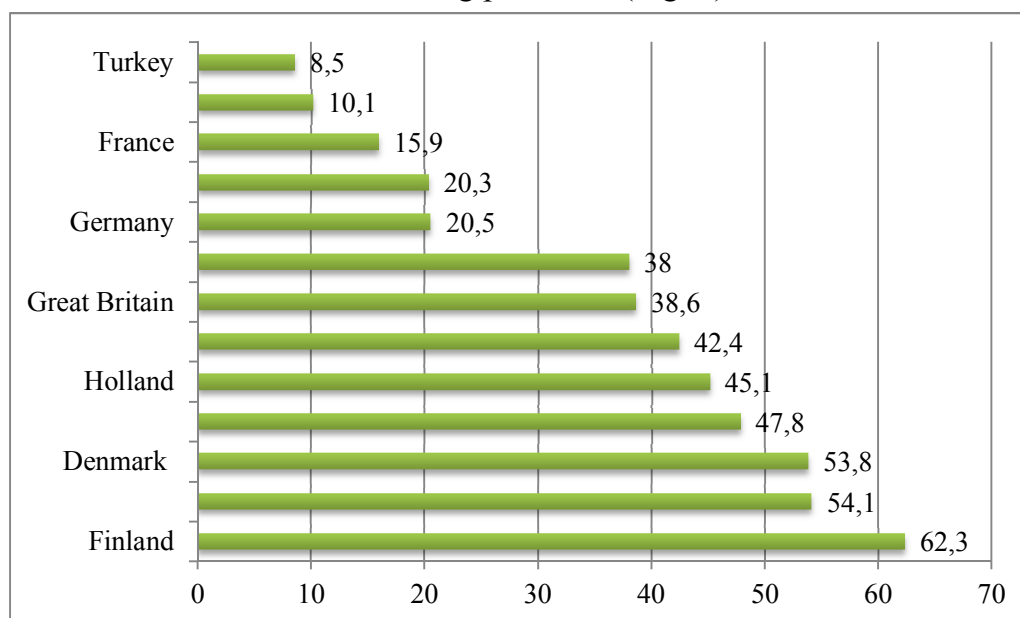
**Fig. 2. The share of small business using CRM, in 2017 [11].**

The level of distribution of ERP systems in small businesses varies widely: countries with well-developed industrial cooperation are actively implementing such systems (Fig. 3).



**Fig. 3. Share of small business companies using ERP, 2017 [11].**

At the same time, for countries that are more likely to focus on financial markets and services (Great Britain) or do not have modern production, the share of ERP in small business is small. Cloud computing saw the largest development in small business in the Scandinavian countries. In these countries, ecosystems of start-ups are actively developing, a considerable amount of software is being produced (Fig. 4).



**Fig. 4. Share of small business companies using cloud computing, 2017. [11].**

International statistics show that the widespread use of modern digital tools by small business companies in Ukraine can become one of the indicators of their successful development. Support for the digitization of small businesses is an effective way of developing a national economy, increasing the share of gross domestic product produced by small businesses. In the mid-2000s, the increasing speed of access to the Internet has created conditions for the use of software applications on remote servers. While large corporations had to overcome certain psychological barriers to exploit new technologies, the cloud environment provided small business and individual users with additional competitive advantages. The main commercial effect of cloud technology development was the creation of SaaS business model – “software as a service”. This allowed the cost of purchasing IT systems to be transferred from the article “investment” to the article “operating expenses”, which had many positive effects on financial management.

Such agreements have gained popularity primarily in the field of small and medium enterprises, giving such companies the opportunity to use software applications that were available in the past only to large corporations. Another decisive advantage of cloud-based technology for small and medium enterprises has been the ease of installation and operation of software. Cloud companies have invested heavily in the development of consumer-oriented plug and play based interfaces (“plug and play”), while projects of the introduction of complex corporate class software took months, if not years that did not contribute to growth of their popularity.

The combination of opportunities for large data, sociality, mobility and cloud technologies has had a significant impact on the technological conditions of small and medium businesses.

Firstly, due to the rapid development of cloud technologies, computing resources have never been so cheap and affordable, even for small business representatives. This has led to a sharp drop in the cost of most business transactions.

Secondly, the development of data processing capabilities in conjunction with the tools for creating social profiles makes these transactions analytically customizable on an industrial scale.

Thirdly, the rapid spread of various terminals of mobile Internet access made it possible to supply on demand a lot of services and products. This is the key to the value of digital transformation for consumers: cheaper goods and services are offered in consideration of individual needs and tasks and are provided exactly where they are needed and at a time when they are needed.

Innovative means of combining new technologies with human communication in the banking services market are also important, which will make the use of integrated communication marketing tools by banks more effective when organizing relations with small business representatives. Bank staff can help customers with low digital literacy using digital products and services, helping them choose a banking product or service, solve problems upon their use, which increases customer confidence in the bank. The main advantage of such a model of communication is the reduction of information asymmetry in the digital products and services market, which promotes the confidence of the subjects of digital relations and creates the basis for safety, reliability and transparency on the market.

Banks all over the world are making increasing efforts to transform into financial platforms that are open to independent third-party participants. Banks seek to create large affiliate networks that can be integrated in interfaces of electronic and mobile banks with the help of APIs, which will allow their customers to easily, and thus often, make payments. Some of the banks go further and create full-scale platforms that promote services offered by bank customers. Expansion of the possibilities of model of financial partnership of banks and fintech companies based on the use of cloud platforms [12] allows significantly reducing the costs of small and medium enterprises and improving the efficiency of their services. A significant influence on improving the credit relations of banks with small and medium enterprises can be implemented on a global scale by modern financial companies that have developed innovative solutions to improve the efficiency of each stage of the lending process. The main advantages of digital technology for small and medium enterprises include:

- crediting: digital technologies can reduce the cost of banks to granting loans on the basis of relevant platforms. For example, an aggregator platform or an online platform for comparing loans can be used as alternative channels for finding customer-borrowers. For digital adaptation and verification of such customers, complex electronic identification solutions can be built in;

- underwriting: digital technology allows the use of alternative data (payment of utility bills, social network data, mobile phone data – recording calls, text messages, psychometric data, etc.) to determine the creditworthiness of potential borrowers of banks due to alternative solutions of credit scoring (creditworthiness rating). Tasks such as analysis of the bank statement of the borrower, financial statements of SMEs and tax documents performed manually and requiring significant labor efforts can be automated using digital technologies, significantly reduce the period of creditworthiness rating. Other solutions, such as geotagging, provide additional information about the existence and location of the borrower's property. Consequently, digital technology helps banking personnel gain access to additional information about small business, make more informed credit decisions, and potentially lower credit requirements;

- payments and fees, interest payments and repayment of loans based on digital electronic mandates and payment mechanisms – assist financial institutions, including banks, in timely payments – automatically, minimizing manual intervention;

- service and monitoring: early warning systems built on digital technologies using structured data (which have a plurality of structures) and unstructured data help banks to monitor loans by assessing the likelihood of default;

- financing the value chain: a large share of suppliers and distributors consists of small and medium enterprises. Technological platforms and e-payment possibilities can make it easier for such enterprises to finance vendors and distributors of products, and lenders – to facilitate the collection of data on small and medium-sized enterprises, which will allow them to make optimal lending decisions, as well as provide businesses with access to business management tools.

E-commerce platforms provide small businesses with access to regional and global markets and connect customers and suppliers in other countries. They facilitate the creation of new jobs and contribute to economic benefits. The small and medium business in Ukraine is characterized by the following developmental issues: limited access to financial and money markets for small ones enterprises necessary for the development of digital technologies; lack of organization of long-term planning, which is predetermined by a small number of employees and a low level of their qualifications; lack of a wide range of skills, that allows to analyze the market and quickly manage limited resources, to maximize the speed and flexibility of product output that inherent in the majority of owners of small businesses; potential of development of small enterprises dependence on qualification management personnel and digital literacy.

These problems greatly reduce the opportunities of small subjects and medium-sized businesses to the introduction of digital technology for the purpose of entrepreneurial activity expansion, formation of competitive ones benefits and increase their number in the future. To create a supportive environment for the digitization of activities Small and Medium Business Enterprises are most effective implementation of the following measures: improving the legislative and regulatory framework of the digital transformation of small

business activity; strengthening the financial and credit support for small business digital products development; the introduction of a organizational system and educational activities aimed at to increase knowledge, professional skills, professional level in issues conducting digital business; forming the system of information and consulting services; Promotion of digital platforms development; the following simplification of rules and procedures for the creation of new enterprises; elimination of contradictions in the legislative framework, ensuring its transparency and stability.

### **Conclusions.**

The rapid changes occurring in the global economy have opened up significant prospects for development for small and medium enterprises. The conducted analysis of the results of the impact of digital technologies on the activities of small and medium enterprises brings to the conclusion that for the further development of digitalization it is necessary to improve:

- modern methods of macroeconomic statistics, since existing ones cannot fully appreciate the benefits and results of the provided digital products and services created on the basis of modern technology. Therefore, there is a need to develop and implement appropriate methods for measuring the impact of digital technologies on the activities of small and medium enterprises;

- approaches to the organization of processes for establishing a system for assessing the results of the implementation and use of digital technologies by small and medium-sized enterprises, the elements of which will facilitate the formation of joint regulation of the activities of all subjects of the digital market, including financial companies, banks, platforms, think tanks and regulatory bodies, in order to create timely and data-based regulations.

In Ukraine, the process of digitization of small and medium-sized enterprises has just begun to develop. Therefore, the necessary conditions for activating the processes of implementation and gaining a positive impact of the transformation of digital technologies on the relationship between banks and small and medium enterprises are: ensuring cyber security and preparing for the identification, assessment and management of new risks; development of partnership relations between banks, fintech companies, suppliers of electronic money, non-bank lending organizations and services for advising on loans to small and medium enterprises; stimulating the provision of services that promote further digitization, including through the use of cloud solutions; encouraging banks to use digital technologies to increase the access of small and medium enterprises to financing, including using the lending platforms; stimulating the development of the comprehensive capabilities of digital identifiers and ensuring full digitalisation of customer engagement and customer service processes and adherence to regulatory requirements.

The development of digitalisation processes for small and medium enterprises in Ukraine in the immediate and medium perspective should become one of the leading areas, an essential tool for social development, increasing the welfare of the population, and raising the level of trust in relations between society and the state.

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**STUDY OF ENERGY-ECONOMIC EFFICIENCY OF ENERGY SUPPLY  
SYSTEMS WITH COGENERATION HEAT PUMP INSTALLATIONS, USING THE  
HEAT OF THE INDUSTRIAL AND NATURAL SOURCES, IN INDUSTRY AND  
MUNICIPAL HEAT POWER BRANCH OF UKRAINE**

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**Abstract.** *The results of the research of energy-economic efficiency of energy supply systems (ESS) with cogeneration heat pump installations (CHPI), using the heat of the industrial and natural sources, are presented in the given research; they enable to provide the substantiated determination of energy efficient and economically efficient operation modes of ESS with CHPI and peak sources of heat (PSH) in industry and municipal heat power branch of Ukraine, with usage of low-temperature heat of industrial and natural sources. In our study the application of energy efficient and economically expedient variants of ESS with CHPI, based on steam-compressor heat pumps and gas-piston engines-generators (GPE) was suggested in order to improve the energy-economic operating indices of the thermal schemes of boiler houses. The approach, suggested in the given research, that dealing with the study of energy-economic efficiency of ESS with PSH and CHPI, using the low-temperature heat of the industrial and natural sources, in industry and municipal heat power branch of Ukraine, enabled to provide the substantiated definition of energy efficient and economically efficient operation modes of ESS with CHPI and PSH with usage of low-temperature heat of the industrial and natural sources.*

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**JEL Classification: Q55**

**Introduction.**

Considerable potential of possible economy of fuel and energy resources as a result of application of energy supply systems with cogeneration heat pump installation in Ukraine and ecological advantages promote the introduction of ESS with CHPI in industry and municipal energy sector of Ukraine. Economic efficiency and recoupment of ESS with CHPI with the drive from gas-piston engine does not depend on the cost of electric energy but it depends only on the cost of fuel. At the energy market of Ukraine there exists considerable price difference for natural gas for industrial enterprises and enterprises of municipal heat power branch. This causes considerable difference concerning economic efficiency as a result of introduction of ESS with CHPI in industry and municipal heat power branch and necessity to realize such assessment.

Recently, a number of investigations have been carried out, aimed at efficient application of ESS with CHPI in thermal circuits of energy supply sources. In recent years a number of papers were devoted to the problems, studying energy and economic efficiency of ESS with CHPI; numerous studies, aimed at development of the methods of energy and energy-economic efficiency of combined CHPI application in thermal schemes of energy supply systems were carried out. In above-mentioned studies the authors did not perform the evaluation of the energy-economic efficiency of ESS with CHPI, using the heat of the industrial and natural sources, in industry and municipal heat power branch of Ukraine.

**Aim of the our research** is the evaluation of energy-economic efficiency of ESS with CHPI, using the heat of the industrial and natural sources, in industry and municipal heat power branch of Ukraine; analysis of energy-economic efficiency of ESS with CHPI in industry and municipal heat power branch, carrying out of optimization technical economic research, aimed at determination of optimal energy-economic conditions of ESS and CHPI application in the systems of heat supply of industrial enterprises and enterprises of municipal heat power industry. The approach, suggested in the given research, that dealing with the study of energy-economic efficiency of variable operation modes of ESS with PSH and CHPI, using low-temperature heat of the industrial and natural sources, enabled to provide the substantiated definition of energy efficient and economically efficient operation modes of ESS with CHPI and PSH, with usage of low-temperature heat of the industrial and natural sources, in industry and municipal heat power branch of Ukraine.

## **1. Energy-economical aspects of the efficiency of usage of energy supply systems with cogeneration heat pump installations in Ukraine**

### **1.1 Economical aspects of the efficiency of usage of energy supply systems with cogeneration heat pump installations of various power levels**

In recent years a number of investigations, dealing with the efficiency of usage cogeneration heat pump installations in energy supply systems were carried out [1 – 7]. In our publication [8] the economical aspects of usage of ESS with CHPI of various power levels is carried out, that will allow to provide reasonable determination of economically reasonable scheme solutions and operation modes of ESS with CHPI of various power levels in energy and heat supply systems.

The methodical fundamentals for energy-economic efficiency and energy-economic-ecological efficiency assessment of ESS with CHPI are presented in our studies [1 – 7]. In the research [3] it is suggested to perform the comprehensive assessment of ESS energy-economic efficiency on the base of CHPI by complex generalized dimensionless criterion of energy-economic efficiency of ESS with CHPI  $K_{ESS}^{en.ec.}$ . According to [3], energy efficient and economically substantiated operation modes of ESS with CHPI will be provided on condition  $K_{ESS}^{en.ec.} > 1$ . The greater is the value of  $K_{ESS}^{en.ec.}$  index, the more energy efficient, economically efficient and competitive ESS with CHPI will be.

In our study [6] it is suggested to perform the comprehensive assessment of energy-ecological-economic efficiency of ESS with CHPI according to complex generalized dimensionless criterion  $K_{ESS}^{compl.}$  of energy-ecological-economic efficiency of ESS with CHPI. As it is noted in study [6], ecologically safe, energy efficient and economically substantiated operation modes of ESS with CHPI of various power levels will be provided on condition of  $K_{ESS}^{compl.} > 1$ . In research [6] it is determined that the greater is the value of  $K_{ESS}^{compl.}$  index, the more economically efficient and competitive ESS with CHPI will be.

As it is noted in the study [8], the specific investments in ESS with CHPI of various power levels can be determined, according to data of manufacturing companies. The specific investments in ESS with CHPI of small and average power (up to 1000 kW) will be in the range of 290 – 1000 \$/kW of installed power of CHPI. The specific investments in ESS with CHPI of large power (over 1000 kW) will be in the range of 113 – 165 \$/kW of installed power of CHPI. Thus, the payback period of investments in ESS with large power CHPI will be almost ten times less, than the payback period of investments in ESS with small and average power CHPI.

*Conclusions.* The investigated ESS with CHPI of various power levels can be recommended as high energy efficient, economically efficient ESS, that can be competitive with modern high efficient electric and fuel-fired boilers in heat supply and energy supply systems, as their energy efficiency more than two times exceeds energy efficiency of modern high efficient electric and fuel-fired boilers. This ESS can be competitive with modern high efficient electric and fuel-fired boilers in the systems of heat and energy supply. The payback period of investments in ESS with large power CHPI will be almost ten times less, than the payback period of investments in ESS with small and average power CHPI. The economical aspects of usage of ESS with CHPI of various power levels, analyzed in [8], allows providing reasonable determination of economically reasonable scheme solutions and operation modes of ESS with CHPI of various power levels in the systems of heat and energy supply.

## **1.2 Analysis of energy-economic efficiency of energy supply systems with cogeneration heat pump installations in industry and municipal heat power branch of Ukraine**

Aim of the our research [9] was the analysis of energy-economic efficiency of ESS with CHPI in industry and municipal heat power branch of Ukraine, aimed at determination of optimal energy-economic conditions of ESS and CHPI application in the systems of heat and energy supply of industrial enterprises and enterprises of municipal heat power industry. In recent years a number of papers [1 – 6, 10] was devoted to the problems, studying energy and economic efficiency of ESS with CHPI. In the research [3] it is suggested to perform the comprehensive assessment of ESS energy-economic efficiency by complex generalized dimensionless criterion of energy-economic efficiency:

$$K_{ESS}^{en.ec.} = K_{ESS} + \frac{\Delta E_i}{(E_{SH})_i} = (1 - \beta) \cdot K_{PSH} + \beta \cdot K_{CHPI} + \frac{(E_{SH})_i - (E_{ESS})_i}{(E_{SH})_i}, \quad (1)$$

where  $K_{ESS}$  – is complex dimensionless criterion of energy efficiency of ESS with CHPI from [1 – 6],  $\Delta E_i$  – is economic efficiency of ESS with CHPI for  $i$ -th operation mode of ESS,  $(E_{SH})_i$  – are operation costs for  $i$ -th operation mode of the substituted source of heat (SH),  $\beta$  – is share of CHPI loading within the frame of ESS from [1 – 6];  $K_{PSH}$  – is dimensionless criterion of energy efficiency of peak source of heat within ESS from [1 – 6],  $K_{CHPI}$  – is dimensionless criterion of energy efficiency of CHPI within ESS from [1 – 6],  $(E_{ESS})_i$  – are operation costs for  $i$ -th operation mode of ESS.

As it is noted in studies [3 – 5], energy efficient and economically substantiated operation modes of ESS with CHPI will be provided on conditions of:  $K_{CHPI} > 1,1$  and  $\Delta E_i > 0$  and  $K_{ESS}^{en.ec.} > 1$ . In research [5] it is determined that the greater is the value of  $K_{ESS}^{en.ec.}$  index, the more energy efficient, economically efficient and competitive ESS with CHPI will be. Table 1 show the results of assessment of economic efficiency of ESS with CHPI with thermal capacity 1 MW, using the heat of surface waters, in industry and municipal heat power branch of Ukraine.

**Table 1. Results of assessment of economic efficiency of ESS with CHPI with thermal capacity 1 MW, using the heat of surface waters, in industry and municipal heat power branch of Ukraine**

Share of CHPI loading in ESS $\beta$	Economic efficiency of ESS with CHPI $\Delta E_i$ , mil. Hrs/yr	
	Municipal heat power industry	Industry
0,125	0,655	0,902
0,25	1,309	1,804
0,375	1,634	2,252
0,5	1,958	2,699
0,625	2,345	3,232
0,75	2,732	3,765
0,875	3,214	4,430
1	3,697	5,095

*Conclusions.* The results of the research of energy-economic efficiency of ESS with CHPI (on example of CHPI, using the heat of surface waters) are presented in the given research; they enable to provide the substantiated determination of energy efficient and economically efficient operation modes of ESS with CHPI in industry and municipal heat power branch of Ukraine, on conditions of:  $K_{CHPI} > 1,1$  and  $\Delta E_i > 0$  and  $K_{ESS}^{en.ec.} > 1$ . The approach, suggested in [9], enabled to provide the substantiated definition of energy efficient and economically efficient operation modes of ESS with CHPI, using different low-temperature sources of heat, in industry and municipal heat power branch of Ukraine.

### **1.3 Analysis of energy-economic efficiency of energy supply systems with cogeneration heat pump installations with usage of the heat of surface water**

The results of our research are presented in publication [10]. Aim of the research [10] was the analysis of energy-economic efficiency of ESS with CHPI, with usage of the heat of surface water; determination the areas of energy efficient and economically efficient operation of ESS with CHPI, with usage of the low-temperature heat of the surface water.

In our investigation [10] the energy-economic efficiency of ESS with CHPI, based on steam compressor heat pump installations and gas-piston engine-generator was studied. The heat of the surface water was provided to be used as sources of low-temperature heat in CHPI. The analysis of the energy-economic efficiency of ESS with CHPI was carried out with usage of methodological bases and recommendations from publications [1, 2, 11].

The analysis of the energy-economic efficiency of ESS with CHPI, using the heat of surface water, was carried out with application of complex generalized dimensionless criterion of energy-economic efficiency ESS with CHPI and PSH, which was suggested in our research [3] and presented in the formula (1).

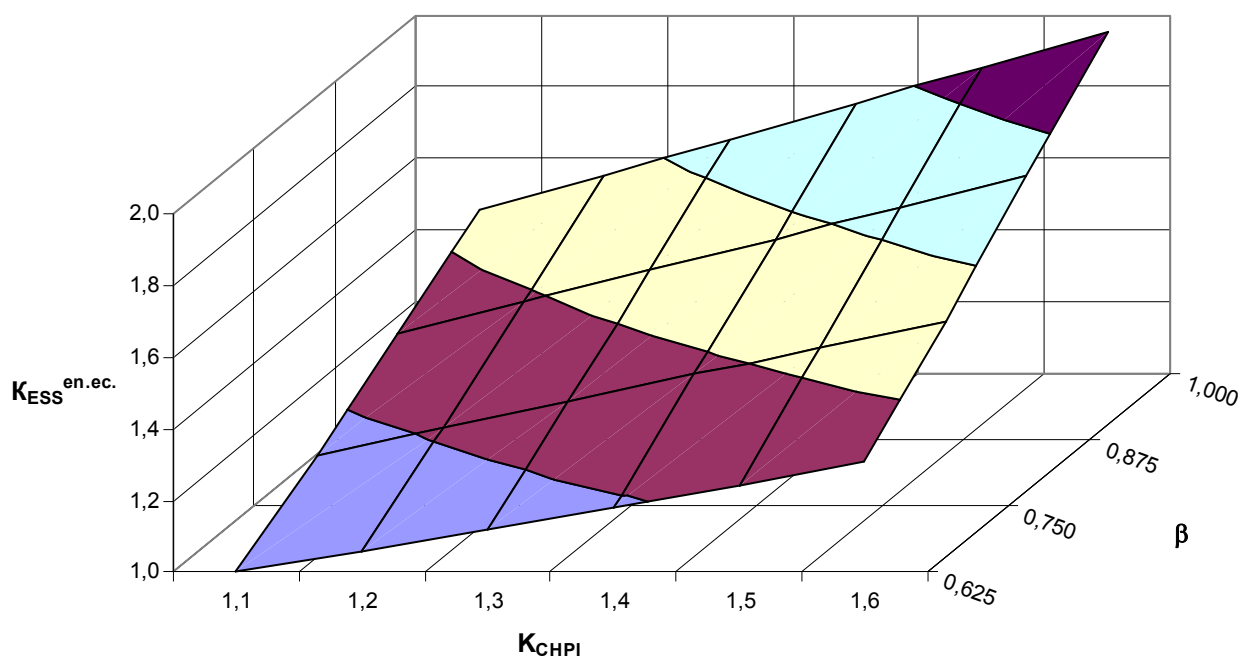
According to [3], energy efficient and economically substantiated operation modes of ESS with CHPI, on condition of usage the heat of surface water, will be provided on condition  $K_{ESS}^{en.ec.} > 1$ . The greater is the value of  $K_{ESS}^{en.ec.}$  index, the more energy efficient, economically efficient and competitive ESS with CHPI, on condition of usage the heat of surface water, will be.

Fig. 1 and 2 show the results of assessment of energy-economic efficiency of ESS with CHPI and PSH with usage in CHPI the heat of surface water.

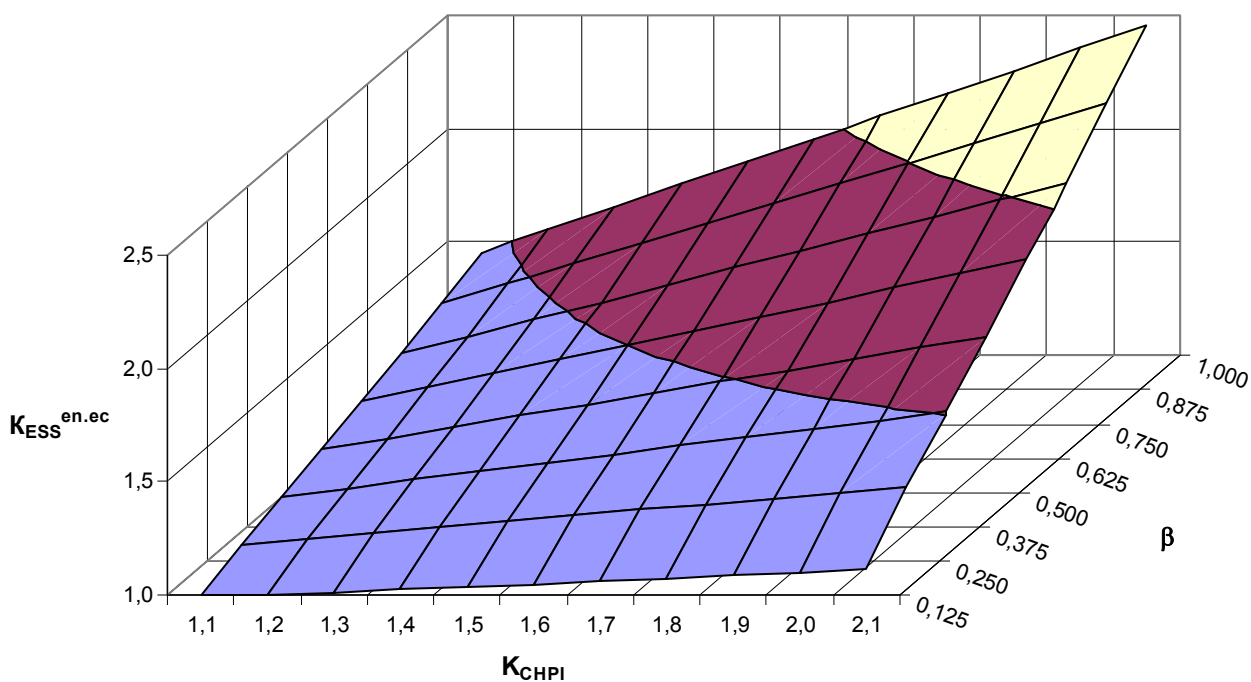
In our research the values of the dimensionless criterion of energy-economic efficiency of ESS with of CHPI and PSH are determined on conditions of CHPI loading share change in the range of  $\beta = 0,1 \dots 1,0$ . The study was carried out for energy efficient operation modes of CHPI with  $K_{CHPI} = 1,1 \dots 1,6$  (on conditions of minimum efficiency of GPE) and with  $K_{CHPI} = 1,1 \dots 2,1$  (on conditions of maximum efficiency of GPE), on the base of the research results [1, 12, 13].

Fig. 1 shows the area of energy-economical efficient ESS operation, using the heat of surface water, with CHPI of small power and peak electric boiler with the consumption of electric energy from CHPI, on conditions of minimum efficiency of GPE and peak electric boiler.

Fig. 2 shows the area of energy-economical efficient operation of ESS, using the heat of surface water, with CHPI of large power and peak gas-fired boiler, on conditions of maximum efficiency of GPE and peak gas-fired boiler.



**Fig. 1. Area of energy-economical efficient ESS operation, using the heat of surface water, with CHPI of small power and peak electric boiler with the consumption of electric energy from CHPI [10]**



**Fig. 2. Area of energy-economical efficient operation of ESS, using the heat of surface water, with CHPI of large power and peak gas-fired boiler [10]**

*Conclusions.* The scientific and methodological bases, suggested in publications [1 – 8], and the scientific results, obtained in this research, allows to determine the areas of energy efficient and ecologically efficient operation of ESS with CHPI on condition of  $K_{CE}^{ch,ek} > 1$  in the case of usage in CHPI the low-temperature heat of surface water. Fig. 1 and 2 (from [10]) show the results of complex assessment of energy-economic efficiency of ESS with CHPI, using the heat of surface water, in industry and municipal heat power branch of Ukraine.

#### **1.4 Analysis of energy-economic efficiency of energy supply systems with cogeneration heat pump installations with usage of the heat of recycled water supply**

Aim of the research is the analysis of energy-economic efficiency of ESS with CHPI, with usage of the heat of recycled water supply; determination the areas of energy efficient and economically efficient operation of ESS with CHPI, with usage of low-temperature heat of the recycled water supply.

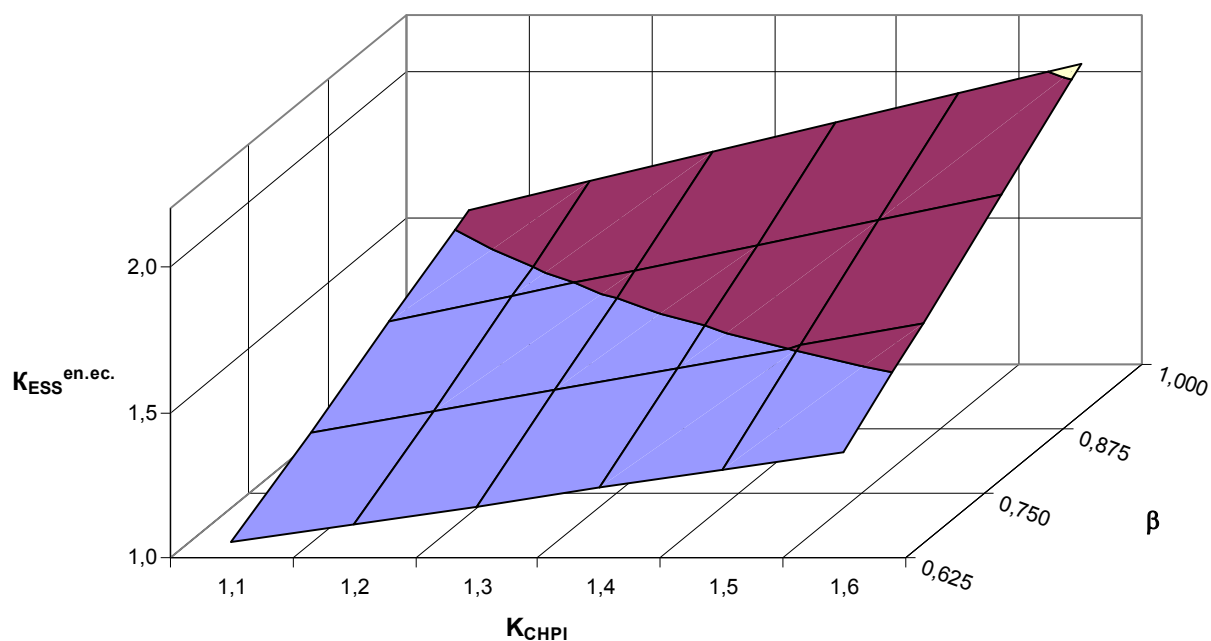
In our investigation the energy-economic efficiency of ESS with CHPI, based on steam compressor heat pump installations and gas-piston engine-generator was studied. The heat of the recycled water supply was provided to be used as sources of low-temperature heat in CHPI.

The analysis of the energy-economic efficiency of ESS with CHPI is carried out with usage of methodological bases and recommendations from publications [1, 2, 11]. The analysis of the energy-economic efficiency of ESS with CHPI, using the heat of recycled water supply, is carried out with application of complex generalized dimensionless criterion of energy-economic efficiency ESS with CHPI and PSH, which was suggested in our research [3] and presented in the formula (1).

According to [3], energy efficient and economically substantiated operation modes of ESS with CHPI, on condition of usage the heat of recycled water supply, will be provided on condition  $K_{ESS}^{en,ec} > 1$ . The greater is the value of  $K_{ESS}^{en,ec}$  index, the more energy efficient, economically efficient and competitive ESS with CHPI, on condition of usage the heat of recycled water supply, will be.

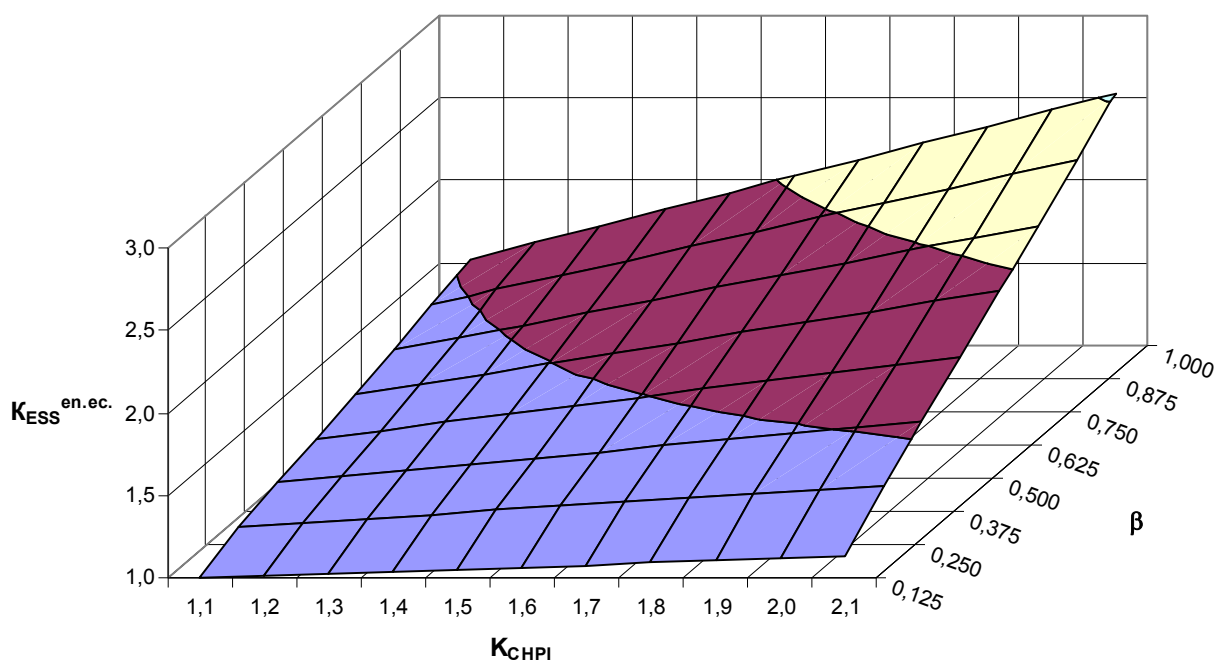
Fig. 3 and 4 show the results of assessment of energy-economic efficiency of ESS with CHPI and PSH with usage in CHPI the heat of recycled water supply.

Fig. 3 shows the area of energy-economical efficient ESS operation, using the heat of recycled water supply, with CHPI of small power and peak electric boiler with the consumption of electric energy from CHPI, on conditions of minimum efficiency of GPE and peak electric boiler.



**Fig. 3. Area of energy-economical efficient ESS operation, using the heat of recycled water supply, with CHPI of small power and peak electric boiler with the consumption of electric energy from CHPI**

Fig. 4 shows the area of energy-economical efficient operation of ESS, using the heat of recycled water supply, with CHPI of large power and peak gas-fired boiler, on conditions of maximum efficiency of GPE and peak gas-fired boiler.



**Fig. 4 . Area of energy-economical efficient operation of ESS, using the heat of recycled water supply, with CHPI of large power and peak gas-fired boiler, on conditions of maximum efficiency of GPE and peak gas-fired boiler**



In our research the values of the dimensionless criterion of energy-economic efficiency of ESS with of CHPI and PSH are determined on conditions of CHPI loading share change in the range of  $\beta = 0,1 \dots 1,0$ . The study was carried out for energy efficient operation modes of CHPI with  $K_{CHPI} = 1,1 \dots 1,6$  (on conditions of minimum efficiency of GPE) and with  $K_{CHPI} = 1,1 \dots 2,1$  (on conditions of maximum efficiency of GPE), on the base of the research results [1, 12, 13].

*Conclusions.* The scientific and methodological bases, suggested in publications [1 – 8], and the scientific results, obtained in this research, allows to determine the areas of energy efficient and ecologically efficient operation of ESS with CHPI on condition of  $K_{CE}^{CH, EK} > 1$  in the case of usage in CHPI the low-temperature heat of recycled water supply. Fig. 3 and 4 show the results of complex assessment of energy-economic efficiency of ESS with CHPI, using the heat of recycled water supply, in industry and municipal heat power branch of Ukraine.

## **2. Study of variable operation modes energy-economic efficiency of energy supply systems with cogeneration heat pump installations, using the heat of the industrial and natural sources**

Energy supply systems with cogeneration heat pump installations and peak sources of heat provide high indices of energy conversion efficiency in ESS elements that makes them two times more efficient than the conventional sources of energy supply. A numerous papers consider the problems of energy efficient ESS with CHPI [1, 14 – 21], theses papers prove high energy and economic efficiency of the above-mentioned ESS.

The results of our researches are presented in publication [11]. Aim of the research [11] is the study of energy-economic efficiency of variable operation modes of energy supply systems with peak sources of heat and cogeneration heat pump installations, using low-temperature heat of industrial and natural sources, that will enable to provide the substantiated determination of energy efficient and economically efficient operation modes of ESS with CHPI and PSH with combined seasonal usage of low-temperature heat of the industrial and natural sources. Energy and economic efficiency of heat pump plants, using natural and industrial sources of low-temperature heat, on conditions of variable operation modes, is analyzed in [22 – 24]. Our research is aimed at determination of energy efficient and economically substantiated operation modes of ESS with CHPI and PSH with combined seasonal usage of low-temperature heat of the industrial and natural sources.

We suggest the results of the research on the example of ESS with CHPI and PSH for thermal scheme of the boiler house of the health resort. The aim of our research [25] was to carry out technical economic substantiation of energy efficient ESS with CHPI application in the thermal scheme of the health resort boiler house on the base of the results, obtained in the research [26].

Gas-fired hot water boiler house is the source of the health resort heat supply; this boiler house provides the needs of the technological consumers as well as the consumers of the heating and hot water in the health resort. In the studies [25 – 26] the application of energy efficient and economically expedient variant of energy supply system with CHPI, based on steam-compressor heat pumps and gas-piston engines-generators was suggested in order to improve the operating indices of the thermal scheme of the health resort boiler house. The operating hot water boiler house of the health resort is planned to use as the peak source of heat in ESS with CHPI. In studies [25 – 26] the combined seasonal usage of the boiler house fuel gases heat in CHPI was foreseen with the usage of utilization equipment as well as the natural heat of the surface waters. Technical economic substantiation of the energy efficient ESS with CHPI usage in the thermal scheme of the health resort boiler house in [25] is performed on the base of studies [1, 14 – 24] results and methodical fundamentals of the assessment of energy and economic efficiency of ESS with CHPI from the studies [1 – 8, 12 – 24, 26 – 34].

In our paper [11], proceeding from the results, obtained in [25], the study of energy-economic efficiency of variable operation modes of ESS with CHPI with combined seasonal usage of waste fuel gases heat of the boiler house and natural heat of the surface waters in CHPI for the thermal scheme of the health resort boiler house. Four variants of ESS with CHPI application in the thermal scheme with following indices of utilization of thermal power of waste fuel gases of the health resort boiler house in utilization equipment and CHPI for the first and the second seasons of the boiler house operation were considered: 1 – 100%; 2 – 75%; 3 – 50%; 4 – 25%. In the third season the usage of natural heat of the surface waters on ESS with CHPI without PSH operating were considered.

The results of the research carried out of energy-economic efficiency of variable operation modes of ESS with CHPI with the combined seasonal usage in CHPI the heat of the boiler house waste fuel gases and natural heat of the surface waters are generalized in Table 2, were the variants of utilization of the heat power of waste fuel gases of the boiler house in utilization equipment and CHPI are shown: 1 – 100%; 2 – 75%; 3 – 50%; 4 – 25%.

It can be determined from Table 2, that the economy of working fuel by the boiler house in case of usage ESS with CHPI is observed for all the studied variants of application and operation modes of ESS with CHPI with combined seasonal usage in CHPI the heat of industrial and natural sources. The greatest values of seasonal and annual economy of working fuel, in case of using ESS with CHPI in the thermal scheme of the health resort boiler house, will be provided in case of utilization of 100% of the thermal power of the boiler house waste fuel gases in utilization equipment and CHPI.

**Table 2. Indices of energy-economic efficiency of variable operation modes of ESS with CHPI with combined seasonal application in CHPI of boiler house waste fuel gases heat and natural heat of surface waters [11]**

Index	Application variant											
	1			2			3			4		
	Season 1	Season 2	Season 3	Season 1	Season 2	Season 3	Season 1	Season 2	Season 3	Season 1	Season 2	Season 3
Thermal power of the contact utilization equipment of the heat of boiler house waste fuel gases, kW	1698	1444	---	1346	1146	---	865	737	---	507	427	---
Power of CHPI compressor, kW	554	472	380	440	374	380	282	240	380	166	139	380
General heat power of CHPI, kW	3017	2566	1501	2392	2035	1501	1536	1308	1501	901	758	1501
Temperature of the boiler house waste fuel gases in case of ESS with CHPI application, °C	55	55	---	81,3	81,3	---	112,8	112,8	---	133,8	133,8	---
Economy of the working fuel by the boiler house if ESS with CHPI is used, %	21,20	22,19	15,43	16,73	17,79	15,43	10,59	11,76	15,43	6,05	7,18	15,43
Annual economy of the working fuel by the boiler house if ESS with CHPI is used, %	18,73			16,58			13,64			11,4		
Economy of the working fuel by the boiler house if ESS with CHPI is used, thous. m <sup>3</sup> /yr	898,70			769,75			593,18			459,20		
Boiler house cost saving if ESS with CHPI is used, mil. Hrs/yr	8,69			7,44			5,74			4,44		

It is seen from Table 2, that the value of the seasonal and annual economy of the working fuel, in case of usage ESS with CHPI in the thermal scheme of the health resort boiler house, will decrease with the decrease of the share of utilization of the thermal power of the waste fuel gases of the boiler house in the utilization equipment and CHPI. In the same way annual cost economy by the boiler house with ESS with CHPI will decrease in case of the decrease of the share of utilization of the thermal power of the boiler house waste fuel gases in utilization equipment and CHPI. Besides, as it is seen from Table 2, the increase of the utilization share of thermal power of the boiler house waste fuel gases in utilization equipment and CHPI stipulates the decrease of boiler house waste fuel gases temperature.

As it is noted in [11], proceeding from the analysis of the results obtained, it is determined that on conditions of variable operation modes of ESS with CHPI and combined seasonal usage in CHPI the heat of industrial and natural sources, the variant of using ESS with CHPI in the thermal scheme of the health resort boiler house with 50% utilization of the thermal power of boiler waste fuel gases in utilization equipment and CHPI is the most efficient according to energy, economic and technical indices. If this variant of ESS with CHPI and PSH is realized, energy efficient and economically substantiated operation modes of the above-mentioned ESS with the combined seasonal usage of low-temperature heat of the industrial and natural sources will be provided: the temperature of the waste fuel gases of the boiler house will be 112,8 °C, seasonal economy of the working fuel by the boiler house with ESS and CHPI will vary within the range 10,59...15,43%, annual economy of the working fuel by the boiler house with ESS and CHPI will be 13,64%. For this variant of ESS with CHPI application in the thermal scheme of the health resort boiler house the economy of natural gas will be 593,18 thous. m<sup>3</sup>/yr. and the boiler house will save 5,74 mil. Hrs./yr.

*Conclusions.* Our paper [11] presents the results of the research, dealing with the study of energy-economic efficiency of variable operation modes of energy supply systems with peak sources of heat and cogeneration heat pump installations, using low-temperature heat of the industrial and natural sources, aimed at the determination of energy efficient and economically efficient operation modes of ESS with CHPI and PSH with combined seasonal usage of low-temperature heat of the industrial and natural sources.

The results of the research on the example of ESS with CHPI and PSH for the thermal scheme of the health resort boiler house are presented in [11]. It is determined that under the conditions of variable operation modes of ESS with CHPI and combined seasonal usage of the heat of the industrial and natural sources in CHPI, the most efficient by energy, economic and technical indices is the variant of ESS with CHPI application in the thermal scheme of the health resort boiler house with the utilization of 50% of the thermal power of the boiler house waste fuel gases in utilization equipment and CHPI. If this variant of ESS with CHPI and PSH is used, then energy efficient and economically substantiated operation modes of ESS with combined seasonal usage of low-temperature heat of the industrial and natural sources will be provided: temperature of the waste fuel gases of the boiler house will be 112,8 °C, seasonal economy of the working fuel by the boiler house with ESS and CHPI will vary within the limits 10,59...15,43%, annual economy of the working fuel by the boiler house with ESS and CHPI will be 13,64%. For this variant of ESS with CHPI application in the thermal scheme of the health resort boiler house the economy of natural gas will be 593,18 thous. m<sup>3</sup>/yr. and cost economy by the boiler house will be 5,74 mil. Hrs./yr.

The approach, suggested in the research [11], is developed on the results of the research [1 – 8, 12 – 34], that dealing with the study of energy-economic efficiency of variable operation modes of ESS with PSH and CHPI, using low-temperature heat of the industrial and natural sources, enabled to provide the substantiated definition of energy efficient and economically efficient operation modes of ESS with CHPI and PSH with the combined seasonal usage of low-temperature heat of the industrial and natural sources.

### **Conclusions**

The results of the research of energy-economic efficiency of energy supply systems with cogeneration heat pump installations, using the heat of the industrial and natural sources, are presented in the given research; they enable to provide the substantiated determination of energy efficient and economically efficient operation modes of ESS with CHPI and peak sources of heat in industry and municipal heat power branch of Ukraine, with usage of low-temperature heat of industrial and natural sources. In our study the application of energy efficient and economically expedient variants of ESS with CHPI, based on steam-compressor heat pumps and gas-piston engines-generators was suggested in order to improve the energy-economic operating indices of the thermal schemes of boiler houses.

The approach, suggested in the given research, that dealing with the study of energy-economic efficiency of ESS with PSH and CHPI, using low-temperature heat of the industrial and natural sources, in industry and municipal heat power branch of Ukraine, enabled to provide the substantiated definition of energy efficient and economically efficient operation modes of ESS with CHPI and PSH with usage of low-temperature heat of the industrial and natural sources.

Our investigation presents the results of the research, dealing with the study of energy-economic efficiency of variable operation modes of ESS with PSH and CHPI, using low-temperature heat of the industrial and natural sources, aimed at the determination of energy efficient and economically efficient operation modes of ESS with CHPI and PSH with combined seasonal usage of low-temperature heat of the industrial and natural sources.

The approach, suggested in the given research, is developed on the results of the research [1 – 35], that dealing with the study of energy-economic efficiency of variable operation modes of ESS with PSH and CHPI, using low-temperature heat of the industrial and natural sources, enabled to provide the substantiated definition of energy efficient and economically efficient operation modes of ESS with CHPI and PSH with the combined seasonal usage of low-temperature heat of the industrial and natural sources in industry and municipal heat power branch of Ukraine.

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## **ADAPTATION OF PUBLIC POLICY IN THE FIELD OF MANAGEMENT SOCIAL RISKS IN UKRAINE TO EUROPEAN STANDARDS OF SOCIAL SUPPORT**

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**Abstract.** *It was founded the necessity of forming of modernization mechanism of public policy in the sphere of management social risks taking into account European directions of social support. Necessary condition introduction of implementation of the offered mechanism is the perfection of social policy taking into account principles of decentralization that allows minimizing social risks by the implementation of the European social standards. The number of practical recommendations is formulated in relation to directions of adaptation of public policy in the field of management social risks to the world standards of the system of social support of population, which covers internal transformations which belong to the public policy in the field of management social risks, both at the level of economy and in the social-humanitarian sphere of Ukraine.*

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**JEL Classification: I38, I39, J88, O35**

### **Introduction.**

The development of market relations and transformational realizations of last years are accompanied by changes in a socio-economic sphere, which draw possibility of unforeseeable events, destroy vital stability and relative prosperity of population and, accordingly, provoke the intensification of social risks. Low effectiveness of public policy in relation to the management social risks and imperfect functioning of instruments of efficiency providing of its realization in modern Ukraine became powerful factors of inhibition of complex socio-economic development that, in turn, breaks the processes of increase of living standard and personal safety of the population of the country.

1. Implementation of European social values in the social space of Ukrainian society in the context of management social risks

For the implementation of effective public policy in the field of management social risks, foremost, it is necessary to understand the basic ways of their minimization and overcoming.

It follows to understand that all of the tools of social risks in the different spheres of functioning state authorities have to unite in one vector providing the defense of citizens from the negative influence of their action.

Making a point that during the development of strategy of public policy in the field of management social risks which are understood as objective probability of offensive of events in person's life, do not meet the set standards of living standard of Ukrainian population, assured Constitution, and appear in the change of financial or social status of citizens. In addition, as we have already marked in previous researches, to the social risks belong not only economic, but also physiology factors, such as old age, illness, disability, birth of child (it has both positive vectors, from emotional point of view and negative as additional financial burden from economic position), exactly these factors are substantial sources of forming of traditional social risks in society [5].

The adaptation of public social policy takes place in the direction of the decision of questions leveling of social risks, which constantly appear to Ukrainian modern state and characterizes as events in a person's life, that influence on withstanding forms of public relations. It follows to consider old age or unemployment and other circumstances as the prime examples that result in the loss of the earned income, decline usual, for certain category of personal income level, the birth of child or disability, in which case appear additional charges.

The transformational processes which take place in Ukrainian society in the modern stage of development as a result of reformation of the social and economic system resulted to the declining level of public benefit which high-quality changed old and entailed development of new social risks in society.

Therefore the public policy must be oriented on providing high strength and implementation of more effective protective systems security, especially at the level of local self-government, in relation to leveling of social risks. However, the basic issues of the noted approach are indexes of social and economic development of the state. Taking into account it the level of development of the state in an economic plan is more permanent then the results from the action of social risks in society are less perceptible. Therefore within the limits of the investigated question, it is expedient to select such characteristic signs of modern social risks which arise up as a result of the functioning of the social sphere [9]:

1. Social risks are not component, predefined natural or technological processes, as a result of individual biological and behaviour features of separate individuals.

2. A social risk comes forward as the probability of negative consequences which are provoked by different factors of external and internal environment, that it is not synchronized with behaving of certain individual or group of individuals within the limits of their sociocultural environment.

3. A social risk should be attributed to the transformation of socio-economic and social and political relations, that an individual or group of individuals perceive as negative phenomenon [5].

Ukrainian public policy which is oriented to European values acknowledges the necessity of the state providing of social risks. In the basis of forming and realization of the social policy of the European Union in relation to minimization and leveling of social risks it follows to mark such:

- 1) the re-erecting of internal and external norms (that for the citizens of European Union and countries which are not included in Euro area) in relation to the terms of labour, health protection and safety of waged workers, in the workplace, both at enterprises and even states;
- 2) the determination of basic directions of retraining of workers, excluded from a labour-market;
- 3) the stabilizing of men and women's gender relations at the labour market and even payment of labour.

At the same time, taking into account the European vector of development, Ukraine must follow the strategic vision of the European states in relation to an active fight against poverty and social inequality. The use of flexible facilities of forming and realization of social policy in Ukraine, taking into account experience of the European states with steady socio-economic development, will allow stabilizing economic relations in society and in a prospect to reduce an unemployment rate due to full employment of capable of working population countries. The key element of European policy in the context of management social risks is the principle of solidarity. By the primary strategic purposes of the policy of management social risks in European states were stood out such:

- 1) the forming of environment for complete development of possibilities and potential of every citizen of the state;
- 2) the change of key features and pre-conditions for retraining of capable of working population;
- 3) the rapid reacting upon possible requests of citizens as a result of the objective worsening of living standard of the population as a result of the influence of social risks.

The important value in the social policy of the European Union got the European social program (Ageanda Social European). It was ratified in Nice and has a medium-term prospect on the nearest five years. The social program determines basic orienteer of public policy in the control system by social risks in relation to the implementation of world standards in Ukraine, in particular, six strategic directions:

- the creation of safe and comfort labour terms, which create terms for the realization of the personal potential of a worker;
- the change of determinant in a working process as a result of the appearance of new instruments of the organization of labour and new types of employment;
- the improvement of relations and activation of society in the questions of social unity;
- the perfection of approaches and instruments of social defence;
- the determination of directions of social initiatives for active international cooperation.

That's why it is important to define the basic lines of single social policy of European space of present age, by part of which Ukraine has possibility become

- the single European labour space (free moving of labour force, coordination of the system of social security, mutual confession of diplomas);
- European labour legislation which regulates all aspects of labour activity (safety of hired worker health on an enterprise, general norms of labour force hiring, gender equality at a production, Institute of European production council);
- the unification of standards of contractual actions in relation to all subjects in the field of social policy (between European social partners four scope agreements are signed about vacations for parents, about an incomplete workday, about urgent labour contracts, and about temporal work), in particular at a branch level;
- the single policy of fight and avoidance of social risks in all European space;
- the support of public organizations and funds which settle social problems at the region level [2].

Nowadays the integration of public policy in the field of management social risks on the basis of the system of European values becomes permanent forming of long-term measures in Ukrainian social space with the proper attaching to social initiatives nearby European states. Integration of public institutions to European space must be expressed in the general actions of the state and Ukrainian society in acceptance of democratic decisions with the purpose of implementation of European values of realization of social policy.

For Ukraine, the action in the direction of European values is reformation and perfection of the existent control system by social risks in relation to distributing of functions plenary powers of public and local organs of management in direction of the decline of social risks and prevention to them. The certain vector of public policy of Ukraine in the field of management social risks, which is based on implementation principles of European social standards and integration to general European space, is the mortgage of the creation of reliable and stable control system by social risks [11].

The improvement of public policy in the field of management social risks on the basis of principles and experience of social support and social defence of population of countries which are participants of European Union consists in rapprochement of institutes, mechanisms and levels of social support, social defence, social partnership and public activity, in a social sphere. The advantages of the select direction of development are large possibilities of achievement of high standards of social development, increasing of life level and quality, which Ukraine heads for, declaring itself the social state and undertaking responsibility for the subsequent queries of the process of European integration. The achievement of necessary reformatting of tool of government control in the field of social policy possibly to due to realization of tasks in relation to leveling and minimizations of existent social risks, which rise up in the process of different attitudes in society and active including of Ukrainian society toward social space of EU [3, s. 81].

It should be noted within the limits of the investigated problem, that adaptation of public policy in the field of management social risks to the world standards of the system of social support of population requires immediate especially in direction of management traditional and untraditional common to all mankind social risks, the action of which brings minimizations over of a number of social risks and threats to sharpening of demographic problem, growth of unemployment, distribution of poverty, deepening of social differentiation of society, after the level of profits of population and others like that. In Ukraine, these social risks negatively influence on social strength of country security and now are urgent in the corporate strategic and short-term planning of state social policy [19].

As a result of transience of values in society there are permanent changes of determinant of social system, that accompanied the vagueness of functioning and development (uncertainty in the future in the country, loss of financial stability, worsening of level of communication, between people within the limits of national self-identification and others like that). All of it influences on changing in the institutes of the public that action is integrated and used in public relations, especially in socio-economic and political processes. Therefore society needs set adaptation and transformation of instruments of social policy from the side of state authorities in order to avoid the state of «institution sensitization» [18, s. 55].

The adaptation of public policy in the field of management social risks to European standards of social support must include such constituents: policy of overcoming of poverty, fiscal, pension, domestic, gender, ethnocultural and ecological policy, policy of support of people, with the special necessities, to the politician of re-erecting of informative society, politician of the regional smoothing, and others like that. The ponderable instrument of influence on social risks in the state and grant of social guarantees, which comes forward one of the criteria of socio-economic institutes of society and represents the level of trust to the state authorities is the principle of social justice. Social justice is a very important element on a background intensification of social threats and economic crises that appear in the growth of poverty as the phenomenon, incident to not only those states which develop but also many developed countries of the world.

The imperfection of reforms of public policy in the field of management social risks in Ukraine slows transformation processes on a way to completion of introduction of all principles of civil society, which are the main barrier to valuable integration of Ukraine to European space as a valuable subject of the international association. But subsequent development of civil society and activation of relations between Ukrainian and European society requires the power of search of new instruments of management social risks from public organs. Bringing in the experience of European states of social support to the process of forming of public policy in the field of management social risks proves that without permanent perfection of instruments of influence on social risks braked development of society adjusting of communications between the state and society. For the realization of the

strategic purpose of the state in relation to the acquisition of status associated and in the prospect of a full-fledged member of European Union it is needed to answer system pre-conditions, which touch not only economic, the political position of the state but also society, on the whole.

Consequently, for the strengthening of democratic values during the realization of public policy in the sphere of management social risks the most effective link of influence must be found on social risks in the state [8]. It is necessary to notice that Ukraine moves by re-erecting of civil society basic principles which are captured in Charters of fundamental rights of the European Union. Therefore adaptation of public policy to the proper social signs is one of the priority directions of the Ukrainian state and the ponderable factor of aspirations of local society [14].

The entering of Ukraine into International organization of labour, that took place on 16th May in 2008, allowed to create an auxiliary link for forming and realization of public policy in the sphere of management social risks, which comes forward as certain set of elements of influence on transformation of existent control system by social risks, namely:

- 1) the directions of international relations, which can both improve and worsen employment of population in the country, change as a result of successful negotiations;
- 2) the change of legislative norms for the citizens of Ukraine as a result of entering European space;
- 3) the international dialogue, which touches perfection of standards of science and education, energy, economies which now are not geared-up for instantaneous transformations;
- 4) Ukraine must increase the efforts for the active bringing in of investments of the European transnational companies in the Ukrainian economy;
- 5) the ambiguousness in relation to Ukraine developed in the field of high-tech and present infrastructure;
- 6) the shortage of skilled stuff among the civil servants of Ukraine or their insufficient professionalism in the field of management social risks;
- 7) the insufficient fight against corruption and economic crimes.

The adaptation of public policy in the sphere of management social risks to the world standards of the system of social support does not mean automatic creation and functioning of mechanisms of transformation of public policy to the modern queries of society as a result of integration to the European Union. The implementation of approaches in public policy in relation to avoidance or diminishing of the influence of social risks at the account of external, international, and also internal factors is the real key to stabilizing of social relations within the limits of the country. Becoming of public policy in the sphere of management social risks requires foresees the observance of fundamental principles of states-applicants which are marked in the Washingtonian agreement:

1) the supremacy of right and defence of human and citizen rights;

2) the development of international cooperation in the field of perfection and strengthening of democratic institutes, rights, freedoms, and support of stability; 3) the support of the world, good-neighborliness's and the decision of conflicts, is at diplomatic level;

3) the introduction of the European model of control over local military powers [17, p. 337].

The correcting of public policy due to the purchased experience of countries-partners of members of the European Union, especially in direction of policy of employment of citizens in different industries of economy of the state, is the significant component of overcoming of social risks of poverty, forming of budget of local society, system of pension accumulation, improvement of domestic psychological position, overcoming of gender inequality, not only in socio-economic questions, but also political, supplying comfort environment citizens with the special necessities, bringing in of wide layers of population to the informatization processes, and also policy of the regional smoothing. This experience is important in forming of public policy in the field of management social risks in the conditions of calls of nowadays namely subsequent intensification of the problem of poverty as a phenomenon, that peculiar not only that the states which develop but also to the countries with steady development [1].

The important moment of realization of public policy in the field of management social risks, understanding of current situation in the state and forming of the European model of civil society, which is accompanied active introduction of reform of decentralization, which gives possibility, is attached the citizens of country to all spheres of state management relations, in particular in the process of forming and realization of public social policy. The integration to the public policy of Ukraine of principles of civil society and elements of the European conduct provides forming of stable sociocultural environment in the Ukrainian state, introduction of the self-weighted policy of management social risks after by the help of instruments of inhibition and counterbalances and social injustice. Thus integration of dominant component values of democracy in public policy is an important constituent in the context of the relation of every citizen of the country to the accepted decisions from the side of state authorities.

Society must understand and actively find out social responsibility after the observance of a person's fundamental rights and freedom. Therefore legality, public and legal peace and development of the legal state and civil society, is the constituents of providing of public policy in the field of management social risks [15, p. 337].

It is appropriate to admit, that the development of civil society in every country is special and appears in its mentality. Such feature is actual for Ukraine also as a result of the influence of the totalitarian system and post-soviet past. The society didn't understand democratic values in the state that is why the noted aspect must play an important role in



forming public policy. The important step of Ukrainian society improvement is the European vector of development of political and legal standards and relations. The European values are characterized by co-operation between the state authorities and institutes of civil society. The collaboration of Europe and Ukraine must be focused not only on informing but also on the direct participation of every citizen in decided current questions which concern public life.

Only the structural dialog is the platform for acceptance of competent decisions in relation to the problem of thorough of social threats in the context of active euro integration. Also, existent facilities for understanding the population of euro integration processes in the field of management social risks must draw on the program collaboration documents of Ukraine and EU with principles which have the purpose to outline the basic terms of collaboration.

The current condition of co-operation of state authorities and institutes of civil society relating to the decision of issues of minimization of social risks requires the carrying on the permanent comprehensive monitoring and a state audit of the use of subvention for social and economic development of regions. In addition, the effective is seemed the implementation of the government regional program of development of the Euro-Atlantic and European integration of Ukraine with active bringing in foreign specialists and investors with the purpose of overcoming of poverty and low economic indicators in different spheres of the social and economic life of region which positively will influence on the improvement of living standard and welfare of population [16, p. 17].

The main moment in euro integration processes in the social and economic space of Ukraine in relation to the public policy in the field of management of social risks there is the achievement of harmonization of the legislative field of Ukraine and legal norms of EU. Due to harmonization of legislation of Ukraine in relation to the European standards and normatively legal acts there is possibility to continue development of political, enterprise, social, cultural activity of citizens of Ukraine, and also development of the state within the limits of principles of European community which will lead to the gradual growth of welfare of citizens. The forming of public policy in the field of management social risks as the component part of researches of science of state administration is predefined the changes of becoming democratic, social legal state, by the tasks of the national system of state administration and right, which acknowledges fundamental the standards of supremacy of right, providing and defence of rights and freedom of a person and citizen. The modernization of current legislation of Ukraine foresees gradual bringing Ukrainian society to principles of the European social standards which cover private, customs, labour, financial, tax legislation, legislation about intellectual property, labour protection, protection of life and health-care, natural environment, defence of rights for consumers, technical rules and standards, transport, and also other industries of life of Ukrainian society [12].

## **2. Implementation of the mechanism of activation of public policy in the sphere of management social risks in Ukraine taking into account the influence of the European standards.**

The result of the development of Ukraine is the satisfaction of necessities of every citizen in the decision of social questions for providing the deserved living standard. One of the priority directions of the decision of social questions within the limits of public policy there is the introduction of new social projects. With the help of social projects, it is possible to involve all levels of power, public institutes to the decision of the main problems of society, such as health protection, education, employment of population, wage, social support and demography level. The decision of these problems is characterized by the efficiency of implementation of the state obligations before the citizens of Ukraine in such directions, as political control over the implementation of the put tasks; the publicness and personal responsibility for implementation of the put aims; special purpose charges of budgetary facilities. Implementation of social projects is the motive force of transformation of the public policy in relation to the management of social risks. The realization of the aims of public social policy, implementation of its basic tasks is the necessary step in the strategic development of public policy in the field of management social risks.

The acquisition by Ukraine of the European values in the conduct of public policy in relation to minimization of the influence of social risks is one of the priority directions of every socially oriented state. Therefore come forward the basic tasks of social development:

- 1) the search of balance in social, economic and political relations;
- 2) the active implementation of innovative technologies in all spheres of life of society;
- 3) the introduction of the public policy, directed on the economy growing by intensification of labour productivity.

The implementation of these tasks is the vector of development of public policy in the sphere of management social risks. One of the important constituents of its forming and realization come forward to deserving social standards. The social standards show the vision of society in relation to a life level and quality, and social state guarantees and indexes of life standards and also a complex system which has differentiation of living standard on the basis of normative criteria. The transformation of public policy under the act of euro integration selects clear norms and standards in obedience to international principles and going near stopping of the process of recreation of poverty, providing of constitutional guarantees of access of population, to social services, conditioning for development of human potential. Such standards must take place in the system of strategic development of public policy in the field of management of social risks, can be carried out different task forces, regardless of starting possibilities, the prospect of social horizontal and vertical mobility, the possibility of self-development [10].

The origin of problems in relation to the methods of the state providing of social risks comes forward as a break of the level of the labour productivity, competitiveness of labour force, presence of old equipment and backward technologies. The growth of unemployment as one of the traditional social risks takes place as a result of reducing industrial production which is caused by the decline of the level of state subvention in certain industries of production. The structure of state help on the modern stage of development of the social and economic system of Ukraine has the purpose to pass from the financial support of concrete enterprises and industries to the regional and horizontal types of support. If to characterize internal transformations which rectilinear belong to the public policy in the field of management social risks, it follows to outline such:

1) in an economic sphere:

- implementation of the strategy of intensification of development, that has the purpose of the dynamic growth of annual GDP in Ukraine at the level not below than 6–7%;
- the implementation of innovative approaches of differential changes and growths in economic processes, the realization of which must provide the substantial improvement of competitiveness of the Ukrainian economy;

2) in the social sphere:

- the implementation of measures of reduction of the break in even qualities of social support with the countries of EU, adoption of the middle class;
- the development of reliable for national safety legal code in the field of migration and acquisition of citizenship of Ukraine;
- providing the differentiated approach to the perception of principal items of the Bologna Process, avoiding privatization of the educational process as a result of changes in education and science in Ukraine;
- the implementation of active events on the decision of questions of demography in Ukraine;
- the implementation of the effective program of development of healthy and intact families, and also the modernized program of defence of maternity/paternity and childhood [7].

Paying attention to the perfection of management of power public organs by migratory streams in Ukraine as one of the terms of the visa-free mode with EU. Therefore further development of state administration in the context of minimization of social risks during harmonization of legislation of EU with Ukraine must take into account the social component populations of Ukraine in the questions of labour migration. In the public policy, it is important to adhere to the principle of permanent development of the legislative field of the country in relation to the legislation of EU, taking into account its dynamic changes and increases of social standards. Migratory politics must be enhanced and differentiated on different institutes, namely distribution on subdivisions, what accountable for labour migration as part of Ministry of social policy, that now is liquidated, and to implement them to the state of diplomatic establishments of countries, where basic labour force are the Ukrainian citizens.

Because of the integration to European Union, there are large risks in the migratory sphere which is why Ukraine must search approaches to the advantageous co-operating with the European partners, together to implement the programs for the protection of citizens' rights who are abroad. At the determination of vector of development of Ukraine in the questions of migration the important moment, there is lobbying of interests of the Ukrainian citizens in those states, where there is a large percent of labour migrants from Ukraine. In addition, the important element is the realization of pension reform that will take into account the possibilities of receipt of pension Ukrainian labour migrants. Necessary adjusting of communication between the state authorities, presented in the different states, and Ukrainian diaspora, with the aim of development of the program of collaboration with Ukrainians who temporally work abroad.

We will discover the basic problems of reintegration of labour Ukrainian migrants who nowadays work abroad. The public policy must envisage the grant to the Ukrainian citizens the information, which they need for preparation and return to The Homeland (documents that must be prepared abroad, custom and frontier rules, procedures of proceeding documents, continuation of education, employment and establishment of own business, registration of pension opportunity, addresses and telephones and others like that); placing and permanent updating of such information is on the official web-sites of Ministry of Social Policy of Ukraine and Government Migratory Service of Ukraine; distribution of corresponding materials in the consulates of Ukraine abroad, cultural centers and national and cultural associations of Ukrainians in the host countries, on the points of crossing of border of Ukraine and others like that; change of rules for labour migrants to explain them, in particular, creation of the dedicated mode of duty-free import of private property, and also property by means of that in the future it is planned to develop own business; the improvement of the system of standard on the basis of successful projects of other states, that also have the experience in relation to labour migrants who back to the state [13].

The changes of public social policy and its basic approaches and tasks in the direction of politically-cultural increase are needed realization of new democratic values, a search of resources and motivation in society. The vision of basic problems and the decision of them by means of transformation of public policy in the field of a management social risks it is indissolubly related to social responsibility that does not find response and feedback for every citizen in Ukrainian society. The public policy in the social sphere must adhere to maximal neutrality, trenching upon personality human and citizen rights are forbidden, as all innovations in the social and economic life of country mediated or straight influence on the life of country citizens. Further integration of Ukraine to European Union does not promise a decision or reduction of social risks in Ukraine, however direction the state moves in that needs the reformative operating under the creation of new forms of social politics. They must not exactly copy all complex system, that inherent to politics of

the states - members of the European Union, but need adaptation taking into account Ukrainian realities, to mentality and others like that.

At the level of legislation all public policy in the social sphere is oriented to the protection of social rights and freedom of person and citizen, however in practice instruments of providing of sufficient living standard, possibilities and terms for the achievement of the put aims, further support of own welfare in Ukraine are on the initial stage of the development.

The realization of aims of social politics in Ukraine not always can provide the implementation of social obligations from the side of the state as a result of system economic and political crises that influence on social politics. The realization of social programs needs important resources. To the basic defects of public policy in the field of a management social risks, it follows to take imperfection of the legislative enforcement that complicates realization of constitutional rights of citizens; imperfection of further development and state financing of events of social maintenance of people. The last problem in the realization of public social policy is a low level of application of modern innovative technologies in social service.

Taking into consideration the learned experience of the European partners within the framework of social politics, it is needed to work out the only chart of evaluation of necessities of people and families who need social support. Such standard offered in Austria in 1993. Necessary to notice that it is possible to revise the social model of the role of the state in foreground jobs of public social policy, in particular in relation to norms and standards. This model found a practical embodiment in the countries of northern Europe: Sweden, Norway, Finland, Denmark, and also in the Netherlands and Switzerland. With the aim of differentiation of list of social services, expansion of possibility of their grant to families and individuals, having a special purpose stimulation of local social budgets it is necessary to calculate the cost of social services and implement approaches of pay social services to the population and mechanism of aspiration of these money on financing of social charges of local budgets (positive experience of Netherlands) [4].

The majority of the members of EU send efforts to the increased level of employment and market of labour development, assist reduction to poverty and social isolation that for today are new social risks. In minimization of the marked social risks consider such, as especially actual directions:

- 1) fight against the market of labour segmentation for the facilitation of going into the market of labour and assistance to the increase of mobility of scanty means workers;
- 2) modernizations of the system of social support for the creation of stimuli to work, that must have adequate support from the side of state authorities;
- 3) increases in participating in the social projects of certain groups of the population (for example, women, disabled people);

4) increases of access of vulnerable groups (not well-qualified workers, young people, migrants and others like that) to services of government service of employment for the receipt of social services and retraining;

5) strengthening of support of the level of employment at the market of labour, especially for the most vulnerable layers of the population;

6) revision and perfection, where it is necessary, networks of scope and social establishments;

7) providing the permanent financing of social services;

8) support of the social sphere, where most receivables spend a population on social defence;

9) taking into account the negative influence of interruptions in a career, especially for women in relation to the determination of providing pensions;

10) increase of minimum acquests with the aim of satisfaction of necessities of old people in active social and economic activity;

11) providing of implementation of anti-discriminatory laws [6; 7].

The basis of European politics in relation to the employment of population is an encouragement to employment and increase of workers professionalism. The basic mechanism of public policy in the field of management social risks must be sent to the removal and prevention of youth and protracted unemployment of capable of working population. Ukraine must correct the politics in relation to the states that are part of EU space, giving to the young unemployed persons a resource base for studies and retraining in case if such people will not be more than six months in the status of the unemployed person. For the people of senior age, the marked status can last to twelve months. Such events must be sent to the prevention of stagnant unemployment that now is the issue of the day as a result of system economic and political crises.

Three principal reasons are specific for Ukraine which should be paid attention to forming of public policy in the investigated direction, namely: macroeconomic indexes as a result of unemployment predetermine the increase of inflationary expectations to inflation that negatively influences on social and economic relations; unemployment where people are a long time unlike those that had work short time influences on the psychological condition of person that is in the protracted unemployment; people that are in status of unemployed person for a long time run into the most serious barrier for a return to work. Usually, this layer of the population belongs to the category of citizens that most fall under the action of social risks and need the grant of social defence and social support from the side of the state. Therefore the implementation of effective public policy in the field of management social risks must be in the center of political modern events in relation to the employment of population and to take into account experience of countries of partners of European Union in relation to counteraction to the protracted unemployment. Thus, necessary input of the complex departmental and retraining that appears in active and

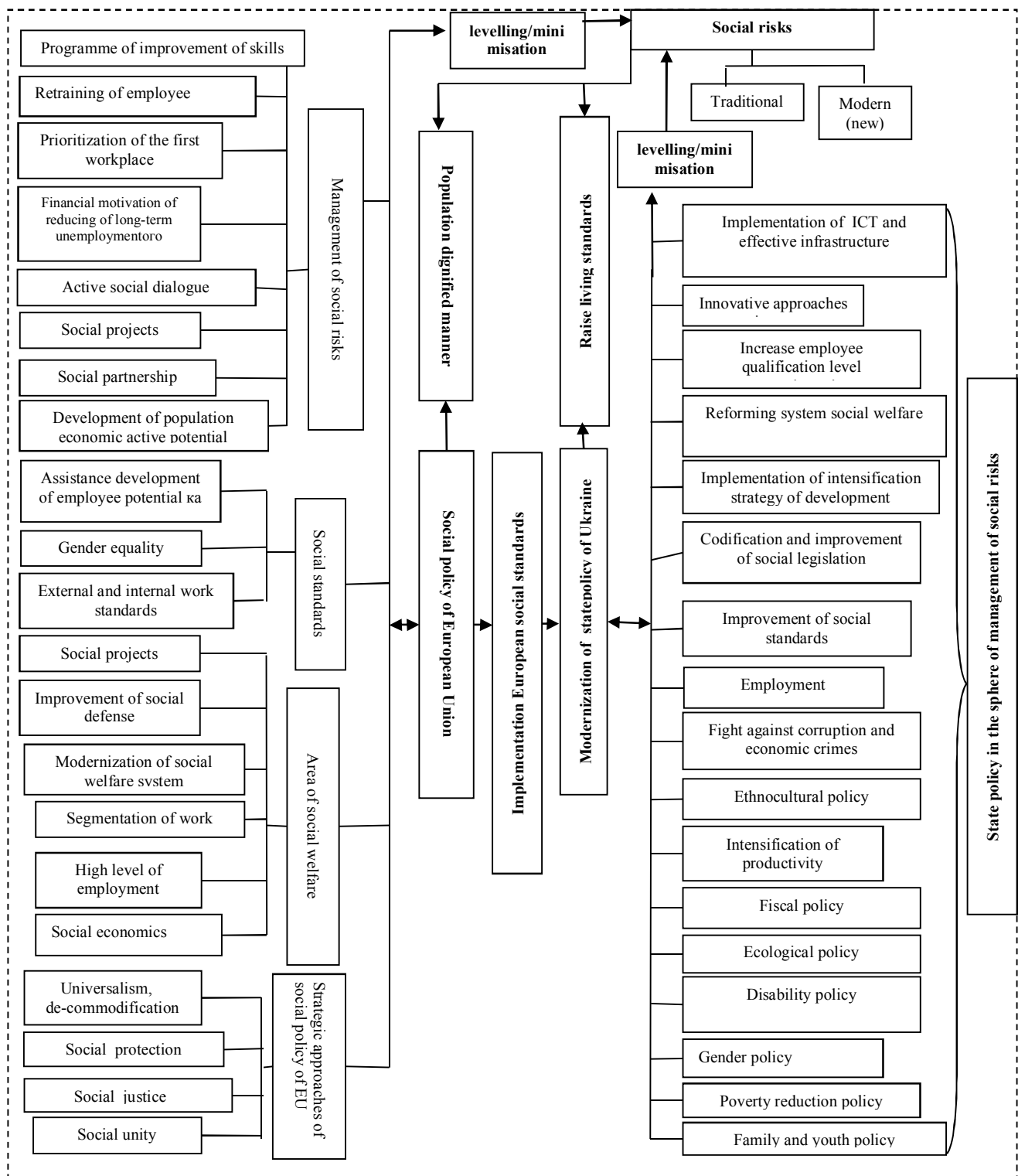
modern events on labour-markets teaching, by means of what it is possible to be placed in a job and get motivation for the search of work.

The system of tripartism must be formed in Ukraine, according to which the social partners are state, businessman, trade union (the organization that will present the local community). The tripartism decides the question of future employment of young personnel that gives an opportunity to bring down an unemployment rate in a country among a young population. Each of the subjects of the social partnership must adhere to the principle of development of possibilities of permanent studies during all life for potential and present personnel.

It should be noted that prospects of employment of young people are both in Ukraine and in the countries of the EU, are insoluble. Therefore the public social policy must pay attention to the increase in the level of secondary education. Other direction of public social policy must be the development of enterprise, by means of what it is possible to increase a working spaces capacity. This direction touches the development of new and existent enterprises. Ukraine has the opportunity to adopt experience of members of EU, and also consider the question of acceptance of clear stable and predictable normative acts, to create the terms of the market of capital development.

The formed mechanism of activation of public policy in the sphere of management social risks taking into account influence of the European standards (pic. 1) on the basis of research material of scientists and authorial analysis of basic range of problems of state administration of leveling of social risks a process gives the possibility to promote the effectiveness of realization of tool of public policy on the basis of social mechanism. The social mechanism contains a public policy, that actively co-operates with the European partners by means of that possible improvement of the social loading on the state authorities, so other social and economic and social and political relations that give the possibility to influence on the reduce social risks in society.

The offered mechanism determines basic European values that the members of the European Union adhere to. They include external standards of labour, that determine rights and possibilities of citizens from countries, that does not have memberships of European Union and internal standards that touch the countries of European Union, labour legislation, free moving of labour force, single politics of state authorities in the countries of EU, public organizations that coordinate the only vector of co-operating with public and determination balance authorities in gender question.



**Fig. 1. Forming of the mechanism of modernisation of public policy in the sphere of management social risks taking into account the European directions of social support**

*Source: it is created by the author.*



### **Conclusions.**

The implementation of the mechanism of activation of public policy in the sphere of management social risks taking into account influence of the European directions of social support allows defining possible strategic directions of realization of public policy of the use of social mechanisms in the field of management social risks. They are forming from the side of the state of social unity, change of determinant in a working process, improvement of the social defence. During the implementation of tool of public policy in the field of management social risks basic vectors must be corrected in such directions, as: gender politics, politics of overcoming of poverty, ethnocultural politics, ecological politics, domestic politics, politics of development of informative society, politician of support of people with the special necessities, pension politics, fiscal policy. However during realization of public policy it is needed to understand basic factors that deepen influence of social risks on society, namely: presence of imperfect infrastructure, absence of only legislative base in relation to social risks, subzero rates of perfection of standards from the side of the state in the different spheres of life of society, degree of efficiency of fight against corruption and economic crimes, and also lack of skilled personnel.

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## THE DEVELOPMENT OF POLITICAL PARTIES IN CIVIL SOCIETY

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**Abstract.** *The article deals with the main conceptual approaches for the development of political parties research. Macro-and micro-approaches for parties research are considered. The heuristic possibilities of institutional, comparative approaches, theory of organizational effectiveness of parties are analyzed. The peculiarity of the existing typologies of political parties is their development by taking into account many criteria, as a result these typologies are largely contradictory and incompatible with each other. Some of them are based on the criterion of functionality, which takes into account the goals pursued by the parties, the other - on the organizational principle that distinguishes parties with a developed and weak infrastructure. It is concluded that all contemporary theoretical and methodological approaches for the political parties research are aimed at revealing the laws of their formation and development, the factors of their influence on the socio-political life of the state as the most important element of civil society. However, none of these approaches is comprehensive. So, they are all mutually supportive.*

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**JEL Classification:** D02, D72

### Introduction.

The relevance of the article is justified by the fact that there are still not enough research papers in the domestic political science, where political parties and party systems of post-communist countries are analyzed. There are separate articles and chapters on the party systems of post-communist states in joint monographs on post-communist countries in general. The results of cross-national studies of a small group of geographically close countries also appear. However, a systematic study of party systems state and political parties in the post-communist countries has not been conducted yet, which means there are still many problems of a conceptual and empirical nature. The Ukrainian party system and political parties are still in the process of development. And this means that political science is to research the essence, the activities of political parties in democracy, etc.

The purpose of this article is to prove that in the system of modern democracy parties are meant to act as a channel for broadcasting the interests of civil society, the main mediator between it and the state, to consider some of the modern theoretical and methodological approaches the of political parties research.

To achieve this goal, the following research objectives have been set: to define the role of political parties as an institution of civil society; analyze the reasons for the fall of the authority of political parties in Western European countries, analyze the essence of macro and micro, institutional, comparative approaches of the theory of organizational effectiveness of political parties.

### **1. Political parties in the modern democracy system.**

Political parties are one of the basic elements of the structure of modern society, without which the functioning of representative democracy and the formation of the legislative branch of state power through the procedure of competitive elections are not conceived. Having emerged as a tool for the implementation of specific group interests of conflicting social forces through the acquisition, retention and exercise of state power, the party became a powerful factor in the democratization of the political system as a whole. Political parties and movements create opportunities for ordinary citizens, at least to some extent, to influence the ruling elite, influence its renewal, and make it act not only in their own interests. The activities of the parties implement the fundamental principles of democracy - political pluralism, representation, election of officials. In modern liberal-democratic systems, parties usually act as carriers of competing political courses without questioning the legality of the existing constitutional order. The emergence and development of political parties to a large extent indicates the effectiveness of the political system of society, is an important factor in strengthening the democratic nature of the state, ensuring the political rights of citizens.

As is known, the emergence of the institution of a multiparty system is the most important sign of the formation of a civil society in the country. Parties promote greater efficiency of representative institutions, as well as act as social mediators, facilitating communication between the political elites and society “vertically” and between its individual segments “horizontally”. Political parties, through their representation in power, become part of the legislative and executive powers. As a result, civil society integrates into the state, gets the levers of power to make state decisions and allocate resources. Thus, in the modern democracy system, parties are called upon to act as a channel for broadcasting the interests of civil society, the main mediator between it and the state.

In a number of post-communist countries, the development of civil society has been associated with its “excessive” activization, which contributed not to the structuring of society, but, on the contrary, to its fragmentation and atomization. The emergence of an infinite number of parties intensified political instability and conflict here. In the 1990 elections in Eastern European countries, a picture of the extreme disunity of civil society appeared. For example, in local elections in Poland in May 1990, 240 organizations competed, including 80 political parties that formed 40 different coalitions. At that time, 37 political parties appeared in Czechoslovakia; 22 parties, movements and coalitions competed in the elections. In Hungary, there were 50 political parties, of which only 6 of the largest could compete in the second round of elections [1, p. 165].

Historically, religious groups were among the first institutions of civil society, and the most influential were organizations expressing economic interests. However, political movements are the most closely associated with the concept of democracy, which, being in opposition to power, offer alternative ways of social development.

After the Second World War, with the onset of economic recovery that accompanied recovery, parties had to adapt to the changing environment in which the importance of class political divisions decreased and the role of problems increased, whose influence spread over the boundaries between classes (associated, for example, with the quality of life). As O. Kirgheimer notes, such changes in the post-war political environment forced the mass parties to abandon their appeal exclusively to their own class base and expand the sphere of their appeal, which ultimately led to the emergence of “universal” parties. A. Panebyanko writes about the same thing, who argues that Western European parties have adapted to the transforming political environment (to ensure political survival), evolving from solidarity systems (when a certain sense of common ideals serves as a motive for individuals to join the party) (when individuals show a growing need for self-preservation, even at the expense of compromises in ideals). A. Panebyanko calls this kind of party “electoral and professional”. Similarly, R. Katz and P. Meyer draw attention to the fact that the emergence of "cartel" parties (the fruits of the merger of the party and the state) was the result of growing apathy among voters and the needs of the western parties for new political resources that could give them fresh strength. [2, p.150].

At the beginning of the twentieth century political parties and trade unions played a leading role in ensuring that the interests of the working class, then mostly uneducated, were taken into account and incorporated into the political structure existing in the West. However, according to some researchers, recently the role of political organizations representing the interests of workers is falling: both because of an increase in the general level of well-being and education of the workers themselves, and because of the globalization of the world economy, which reduces the influence of national authorities on the economic situation in individual states.

In most European countries, trade unions and workers parties at best only maintain their positions. Often they lose them. Technical progress also frees the parties themselves from the need to mobilize a significant number of volunteer supporters for election campaigns. Over the twentieth century. mobilization model has changed its focus. Initially, it was based on a close relationship with a particular religion, social class, ethnic group, etc., then determined by identification with a particular party, and recently it has become more and more cognitive, based on the awareness of the individual of his own interests.

The period when the parties offered various ways of the development of society and in fact called for its substantial restructuring remained in the past. In today's world, politicians are more interested in votes than ideological issues. In addition, many important political decisions in modern Europe are made outside the usual legislative model, at the supranational level.

European officials are largely not controlled by voters of individual countries. The fact that many significant decisions are actually made by various lobbying groups (economic, feminist, environmental, etc.) also contributes to the reduction of the role of national parliaments.

The complexity of the direct influence of citizens on mass political parties, parliaments and bureaucratic structures leads to the fact that the population provides targeted support to those political actors who bring them closer to the decision-making process. This is often expressed in the form of support for a movement that seeks concrete solutions: for example, freezing the construction of an environmentally hazardous facility.

According to S. Barnes, we can talk about the presence of two trends. On the one hand, it is the rationalism of hedonism and consumerism, which is not interested in public life, if the individual citizen is provided with the freedom to do what he chooses. On the other hand, these are intensifying attempts to more actively involve citizens in political life, which popularizers are, for example, the “green” movements (the so-called “new policy”) [3, p.121].

Many of the above trends are present in new European democracies (post-socialist countries, as well as Greece, Spain, Portugal). However, there are differences between the old and new democracies. One of the main ones is the apparent weakness in young democracies of civil society institutions. As American political scientist F. Schmitter writes: “In well-established Western democracies, the nature and role of parties have undergone significant changes over the past time, and it would be an anachronism to think that the current neo-democracy parties will have to repeat all the stages of development of their predecessors, while fulfilling all their functions” [4, pp.18-19].

Old-style dictatorships were usually treated by using force to counter attempts to create opposition parties, unions, and other mass organizations. At the same time, many public institutions (churches, universities, civil and military bureaucracies, business circles) were more likely to be included in the state system, rather than subjected to actual annihilation or persecution. Civil society institutions were not allowed to threaten the dominance of the dictator, but they were relatively free to engage in self-reproduction and, in many cases, to flourish. So, by the time of the fall of dictatorships in Italy, Greece, Portugal or Spain, all of these countries had a market economy and a wide range of civil society organizations. Therefore, the process of transition to democracy did not require a radical restructuring of the entire economic and sociopolitical system, but only its slight adjustment.

The transformation of the states of Central and Eastern Europe took place in qualitatively different conditions. “New authoritarianism” set as its task not to depoliticize the population, but, on the contrary, to maximize its politicization and mobilization within a wide range of organizations intended for practically every category of citizens. Membership in these official organizations was often mandatory, and participation in all others is

prohibited. In such a situation, a basically cognitive approach was developed between the population and the state, while various interest groups and independent public institutions were virtually absent.

Thus, in recent decades there has been a significant decline in the influence of traditional institutions of political representation, primarily political parties.

However, political parties not only did not disappear, did not just adapt to the changed circumstances in the post-industrial, post-modern world, but did not lose their leading position in the political process. They turned out to be an institution that easily perceives new developments in politics, using the favorable possibilities of a democracy of the end of the century, initiating and presenting political innovations. Of course, today there are many differences in the activities and organization of parties compared with previous periods of political life. These differences can not but raise the question of whether we are dealing with the same phenomenon - a political party. Researchers in this regard pay attention to the following circumstances:

1) the paradigm of all theorists of political parties was the conviction that the party as a political organization should be considered in the system of relations "civil society - party - state". This corresponded to the reality that the party was the only institution that did not oppose itself to either the state or civil society. With the forms of communication that have changed over time, the party still remains the most significant mechanism ensuring the sensitivity of the state to the public interest.

2) The party is primarily a political entity. The concentration of political in the parties makes them a powerful spokesman for the will to communicate - the public and interested exchange of political capital.

3) Modern democracy remains party democracy with all its many ideal types and real models. Of course, along with party democracy there are other forms of democracy, but in this case, party democracy is a political kind of democracy associated with a liberal view of power and the mechanisms for its formation.

Main approaches to the study of political parties.

As is known, political parties, regardless of national and historical specifics, must perform certain functions - articulate and aggregate group interests, fight for power, in order to influence the formulation and implementation of a country's political course.

Even ancient philosophers pondered questions about political parties. In particular, Aristotle talks about the parties of fishermen and farmers. Mention of parties can be found in the works of N. Machiavelli, J. Locke, T. Hobbes, S. Montesquieu, and others. Western European philosophers B. Constant, J. Mill, and others studied the participation of parties in public politics. M. Duverger, J. Sartori, J. Schumpeter devoted their work to the study of the mechanisms of forming political parties, the principles of their activities, communication with socio-political institutions.

A special place in a number of studies of political parties was taken by works highlighting the development of parties in the context of democratic transit. First of all, authors such as T.L. Karl, T. Carothers and others, who investigated the possibilities of transit theory for the analysis of post-communist space.

Not remain indifferent to the study of party systems and political parties and modern scholars - K. Gagiev, A. Gromyko, M. Obushny, M. Primush, F. Rudich, Y. Shveda, G. Schedrov and others. It is not surprising that parties as a political institution continue to be the most important attribute of any political system.

In modern political science, two main approaches to the study of parties and party systems are particularly popular. The first is the "macro approach", through which researchers seek to cover the entire variety of political parties, to study this phenomenon in order to create a universal (universal) theory of the formation and functioning of political parties. This approach was proposed by M. Duverger, and then developed by K. Dzhandy. K. Dzhandy collected a wealth of empirical material for 158 parties from 10 cultural and geographical regions of the world to test the main conceptual proposals of M. Duverger. The results of this study allowed K. Jandy to propose a universal theory that helps describe, explain and anticipate the evolution and behavior of parties in countries with different political cultures.

The universal theory of research of political parties contributes to the development of the methodology and typology of parties, the formation of patterns of movement, which are manifested in the activities of all parties - in the organizational structure, social base and composition, ties with social movements, in the methods of functioning, the development of ideology, politics, the adoption of political decisions, the fulfillment of other functions specified by the charter of the parties. This theory also involves analyzing the activities of political parties in work with voters, civic organizations, movements, state bodies, etc.

The second approach is applied, or "microprogress". It analyzes each individual party, that is, the concrete subject of the political process with specific parameters in time and space. On the basis of the "microprocessor" a special theory of research of political parties was created.

The founders of this theory can be considered M. Ostrogorsky, R. Michels, M. Weber. Due to special theory, political parties can self-identify, objectively evaluate their place and opportunities to play an adequate role in the formation of civil society. A special theory of the party examines the specific features and specific laws that manifest themselves either in determining the types of parties or in the party system of one or another country.

The institutional approach proposed by M. Duverger, and others to study the processes of formation and activity of political parties, their interaction with other elements of the political system, made it possible to regard the party as a political institution with its own structure, ideology and functions.



Modern scholars often ask questions about the nature and nature of relations between parties and democracies. This is not accidental, since parties express the interests of certain social groups in society. To this end, they are fighting for power, which will allow them to represent these interests at the state level.

Consider some approaches to the definition of a political party. According to J. Sartori, the concept of "party" bears some negative meaning, because it is about separation, separation, conflict [5, p. 49].

Legislation around the world allows us to identify three main approaches to the definition of the party. Thus, according to the laws of most countries, a party is "a special kind of political organization that differs from other collective objects (associations, movements).

In European and Anglo-Saxon countries, namely, in Sweden, the Netherlands, Belgium, Luxembourg, Iceland, Malta, the United States and Australia, any collective entity participating in political and electoral processes is considered a political party. A special approach to the definition of a political party in UK law, according to which a political party may be one person who nominates a candidate for election. This approach differs from the previous one in that it extends not only to collective, but also individual subjects. [6, p.16].

Ukrainian political scientists specializing in party research (partologists) consider the political party as a "community (a group of) people united to participate in political life in order to conquer and retain political power" [7, p. 101].

According to the Law of Ukraine on political parties in Ukraine, "Political party is a voluntary association of citizens - adherents of a certain national program of social development registered in accordance with the law, which aims to promote the formation and expression of political will of citizens, participates in elections and other political measures " [8]. At first glance, the number of documents that need to be collected for the state registration of a political party is quite voluminous. However, given that according to the data of the Ministry of Justice of Ukraine, as of January 18, 2017, 352 political parties were registered in Ukraine [9], for the participants in the Ukrainian political process, this procedure is not complicated. Moreover, even the market of political projects has been formed, where you can buy a registered political party "for cheap", the price of which depends on its registration period.

Thus, the approach of Ukrainian researchers is close to European and Anglo-Saxon. However, it is necessary to point out its more clarifying nature, as to the fact that citizens who unite share a certain national program of social development. That is, the presence of a program is mandatory (a criterion not found in the legislation of European countries) for the registration of a political party in Ukraine.

The Venice Commission of the Council of Europe attaches particular attention to the procedure for registering political parties, rightly believing that excessively strict registration requirements contradict the principle of freedom of association.

In Ukraine, registration of political parties is carried out in accordance with the procedure established by the Law of Ukraine "On State Registration of Legal Entities, Individuals - Entrepreneurs and Public Formations", after checking submitted materials.

The above approach, besides the political one, touches upon historical, institutional, social and other aspects. As R. Katz and P. Meyer note, in connection with the formation of mass parties, the very principle of social representation was called into question. In particular, the reasons for this was that in the late 1950s - early 1960s, the tendency toward collective identification declined, and therefore the electorate lost clear signs of its division into interests. Also important was the fact that from now on political parties began to address their programs not only to their nuclear electorate, but to the whole society. This resulted in electoral active citizens becoming more selective and demanding on parties [10].

P. Pennings analyzed the theories of A. Leiphart, J. Sartori, C. von Beyme and concluded that Leiphart's approach, based on cooperation and coalition, has a greater explanatory potential in the study of the functions and policies of parties. It turned out that this approach can explain, for example, the stability of fragmented systems. However, this approach is of little use in studying the nature of changes caused by openness and corporateism in the countries of Western Europe. P. Penings proposed to create a new typology based on the approaches of Sartori and Leiphart, which will allow to investigate the criteria for combining and contrasting party systems [11].

In the comparative dimension in contemporary literature, the context in which parties exist exists. We agree with the opinion of P. Sharan that "it is impossible to think without comparing. ... without comparison, neither scientific thoughts nor scientific research are possible" [12]. Comparativist researchers have come to understand the importance of the context for the ability of parties to influence democracy in order to strengthen it. R. Gunter and L. Diamond concluded that the transformation of existing and the emergence of new types of parties are associated with the fundamental processes taking place in society [13, p.55]. R. Rose and N. Munro conducted a comparative analysis of party politics in countries in the post-communist space. Having examined the serious theoretical issues of a comparative analysis of the functioning of elections and parties in post-communist countries, R. Rose and N. Munro created a report on the results of free elections and conducted a comparative analysis of electoral competition in eleven new post-communist democracies - Bulgaria, Czech Republic, Slovakia, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Russia and Slovenia. The authors considered all these problems in the context of the history of these countries, the characteristics of the electoral legislation and the election results in each of them [14]. In general, according to L. Smorgunov, a comparative approach is focused on finding dependencies between party systems at the electoral or parliamentary levels and factors of the electoral, social and state systems [15, p.325]. It should be noted natural reorientation of research parties and political systems in post-communist countries.

At the beginning of the process of democratic transit, researchers were interested in questions of its essence, the processes of transformation of all spheres of society and the state as a whole. Now political analysts and sociologists have questions about the results and effectiveness of democratic transit. As you know, in the 1960s, the theories of political parties were enriched in connection with new trends in their development. Researchers studied the emerging crisis of parties and the prospects for their development. The works of K. von Beime, R. Gunther, R. Katz, A. Leiphart, P. Meier and others were devoted to these problems. According to a number of researchers, the main reason for the crisis of political parties was not that they had exhausted their potential, but organizational problems character. For example, P. Mayr discovered a link between the crisis of parties and their organizational backwardness. Therefore, it is relevant that recently in the scientific literature in the framework of the theory of organizations, the organizational effectiveness of political parties has been considered. To be fair, it should be noted that the organizational aspects of the activities of parties were investigated by M. Duverger, who in his famous work "Political parties" asked questions about the organization of parties, their properties as autonomous entities, the influence of the constitution and laws on them [16].

Modern theoretical approaches that investigate the organizational effectiveness of political parties are focused on determining the criteria for their effectiveness. For example, the well-known American scientist A. Etzioni revealed the dependence of the effectiveness of an organization and the degree of realization of its goals. This model was called the target. Another system resource model emerged as an alternative to the target model. Its main message is that the effectiveness of an organization is determined by its ability to attract resources from the external environment.

The model of internal processes, designed to compensate for the shortcomings of previous methodological approaches, takes into account such criteria as the internal functions of the organization, contributing to its continuous activity.

Despite certain advantages of these models in the study of the organizational effectiveness of political parties, unfortunately, none of them is self-sufficient, since it does not cover, and can not cover the entire set of available criteria for organizational effectiveness of this political institution. This is understandable, given that the organization of political parties is complex. And to investigate it without consideration of institutional, structural and other criteria is impossible. Undoubted scientific interest is the article by S. Polynets, an American professor of political science, "Outside the parties, hug everyone": approaches to the study of parties and party organizations in modern democracies "[17]. The author talks about the revision of existing classifications of political parties and party organizations, the need for which is associated with changes in the organization of parties and methods of work with voters. The author rightly notes the lack of a unified scheme for describing parties that could be applied both in countries of developed liberal democracy and in countries that are experiencing a period of democratic transit.

S. Volynets drew attention to the characteristic features of comparative research in the field of political parties:

1) Comparative studies of political parties in general were conducted in Western Europe. This led to the description of a set of relatively easy to compare cases. The researchers did not need alternative classifications or comparison tools, "because most European parties can be placed on the left-right scale or linked to the well-known ideological schools to which they belong."

2) The main attention of the researchers was paid to the party systems, and not to the parties themselves, their system or how they could be classified.

3) Researchers of political parties paid and paid much attention to changes occurring within parties. So today they are ready to talk about how certain parties have changed over a period, but they lack the tools to compare the parties that exist in parallel. Their conclusion is that parties that belong to the same political system and play on similar rules are becoming more and more similar.

S. Volynets believes that these features have become the reason that scientists still face difficulties in terms of their typology, despite the almost century-old history of comparative research in the field of political parties. At the same time there are generally accepted classifications, such as the "left-right" scale; or Duverger's classification, which distinguished personnel and mass batches; or the classification of Newman, which allocated a party of individual representation and democratic or mass integration. But even these classifications are not always used by researchers who consider them to be useless.

According to S. Volynets, the classifications of Duverger and Newman are basic. Newman paid special attention to the functions of the parties, Duverger - organizational features, trying to reconcile them with the origin, class basis and organizational needs. S. Volynets proposes to draw attention to an alternative typology. Within this framework, the following types of political parties are distinguished: parties whose main goal is to obtain the largest number of votes in the elections; parties that seek to implement a particular political course; and parties that want to seize state jobs at all costs. The author of the article argues that this typology is suitable both for the characteristics of party behavior and preferences, as well as for the party structure and organization. The author considers this scheme to be universal and so that it can be used in different conditions for many purposes, which clearly lacked the old classifications.

S. Volynets believes that different parties can change their policies and basic principles, which leads to a change in type, but such changes do not take place immediately and can take several years [17].

Parties whose primary purpose is to obtain the maximum number of votes in elections can be correlated with the parties "catch all" and electoral and professional parties. Parties that seek to seize public office at any price are, in essence, cartel. And parties that are oriented toward implementing a particular political course are program parties.

Western European parties have found their present form as a result of adaptation to new conditions. Kirchheimer and Panebjanko came to the conclusion that these processes led to averaging, that is, the fact that the parties became more similar to each other. This thesis S. Volynets doubts. In his view, the way parties react to changes in the external environment directly depends on which parties will take on forms, and this is what he is trying to prove through his classification.

The parties can change their orientation, refuse to want to win the elections, obtaining the maximum number of votes, in favor of strengthening the course for the implementation of their political program, and vice versa. The degree of change for different parties will not be the same, it will vary depending on their internal characteristics.

Thus, modern parties are not subject to any universal changes, transformations that take place with the parties, lead to the appearance of quite different forms of party organization.

The most thorough theoretical study of the types of party organizations in Eastern Europe was given in the works of P.Kopetsky and G.Kitsult. From the point of view of P.Kopetsky, the most promising organizational form is "education with a loose electoral base, in which the party membership plays a relatively important role, and the leading one is the party leadership." This is due to several circumstances: a) the parties are forced to turn to a wide circle of voters, mainly because they can not count on the support of the electorate with constant party affection, since under authoritarian rule such a commitment of party members was absent; b) the parties obviously do not seek to increase membership, because their financial resources do not depend on the number of members (in this regard, they rely heavily on the state), and with fewer members, the probability of potentially powerful challenges to existing party leadership is reduced; c) depoliticized citizens of postcommunist systems do not show a particular desire to be identified with comprehensive ideologies and party symbols, rather they are inclined to solidify with strong personalities. Therefore, according to P.Kopetsky, the party of the "universal" or "electoral-professional", where the party leadership plays a dominant role, and the party organization is a minor one, have the greatest chances in post-communist politics.

G. Kittsult offers a number of theoretical settings for analyzing the party organization in Eastern Europe and the former Soviet Union. He highlights three "idealist" parties (charismatic, clienteleist, and programmatic) and defines the conditions under which they may arise. Charismatic parties represent "a little more than the unstructured mass of people who rallied around the leader." Such parties are unstable because of nature, because in order to maintain the adherence of followers, charismatic leaders should sooner or later provide their electorate with electoral incentives and take on the path of organizational development. As a result, a charismatic party will turn into a client-oriented or programmatic one. For clienteleist parties, the emphasis is on personal patronage. They invest a lot in creating an organization that effectively provides the resources of their followers.

Such parties, however, avoid the costs of coordinating the activities of their members, because the latter need not faith in some set of ideological goals, and personal loyalty. On the other hand, program parties are established to promote the ideals of "the desired society as a collective good that they promise to secure, and the involvement of activists and leaders who are ready to propagandize and realize these ideals." Software parties are relatively harder to create than other types of parties, but they "are more likely to strengthen the consolidation and stability of a democratic regime than two alternative types of" party organization.

In addition to the allocation of special organizational types, G. Kittsult offers a heuristic model to explain the reasons for the formation of different types of parties in post-communist politics. In general, he believes that the degree of probability of the appearance of software parties is determined by four factors: a) the antiquity of industrialization; b) institutional characteristics, such as the existence of a presidential or parliamentary system; c) the peculiarities of democratic transit; and d) the systemic time since the first free elections (measured by the number of such elections). Based on this model, the scientist suggests that chances for the emergence of programmatic parties are the highest in the Czech Republic, Hungary, Poland, Slovenia and slightly less in Slovakia, the Baltic States and Croatia. In Bulgaria, Romania, most of the republics of the former Soviet Union and Yugoslavia, it is much more likely to form clienteleist or charismatic parties [18, p.150].

It is believed that the emergence of new parties in Ukraine is associated with the emergence of new social classes and representative institutions. In fact, this fact is explained by the heterogeneity of civil society and the differentiation of interests.

Initially, the Ukrainian parties were not so much the institutions of political representation of interests as the elements of the "political enterprise" that ensured the competition of elite groups. The development of political parties in Ukraine followed the path of elitism and secrecy for the masses. A narrow circle of leaders usurped key party posts, blocked the participation of rank-and-file members in the formulation of a party strategy, which led to a decline in political activity of the population.

The political system and the political party of the country were built in the post-Soviet period primarily based on the group interests of the business oligarchy, without taking into account the real (but politically non-aggregated and poorly articulated in public discourse) interests of the mass strata of the population, the campaign.

The party system of Ukraine at the beginning of its existence can be qualified as typically atomized. Since there were four dozen political parties, but none of them had either the level of numbers that would allow the creation of effective local party organizations, nor the level of popularity that allowed voters to distinguish between parties, or the level of influence that would allow factions in parliament or in local representative bodies to influence the formation of the government or local executive structures.

An atomized system will never be stable and will not remain constant for a long time. It eventually transforms into a stable system. A progressive variant of such a transformation is the evolution of an atomized system to a system of polarized pluralism or other stable systems.

The possibility of the emergence of a multiparty system in Ukraine arose in connection with the abolition in 1990 of the famous sixth article of the USSR Constitution, which enshrined the CPSU's monopoly position in the political arena. Due to this, the elections to the 1990 Supreme Council of Ukraine were first held on a competitive basis. The main struggle took place between candidates from the Communist Party of Ukraine, supporters of the reformist movement within the Communist Party itself (the "Democratic Platform") and representatives of the popular political movement that was broad and diverse in its orientations. Early 1994 parliamentary elections can be considered full-fledged multiparty elections.

The role of the pluralistic party system is very important because it is the core of the political system, a tool for resolving conflicts and contradictions existing in society. An effective, balanced party system, along with a mechanism of checks and balances, with a developed opposition, is a guarantor and at the same time a stimulator of the stable development of society. The parties that make up such a system should be sustainable public associations based on a clear value system, have clear programs of action for citizens.

On the basis of the above, we can draw the following conclusions. Each of the above approaches to the conceptualization of organizational development of the parties are characterized by the following general shortcomings. First, they all use abstract categories to identify party types, although it is not clear what is the most important organizational differences between "universal" and "electoral-professional" or "client-oriented" and "software" parties (if any at all) . Secondly, in conducting cross-national studies of the countries of Eastern Europe and the former Soviet Union in none of them (with the exception of G. Kittshalt's conception) organizational changes are not taken into account. It seems that they all come from the assumption that the most likely single (electoral-professional) type. Thirdly, they have virtually no systematic comparative analysis of possible explanations of why different organizational types of parties may arise.

Basically, all modern theoretical and methodological approaches to the study of political parties are focused on identifying the patterns of their formation and development, the factors of their influence on the socio-political life of the state as an essential element of civil society. However, none of the considered approaches is comprehensive. So, all of them are complementary.

It should not be forgotten that a truly democratic political system with a strong multiparty core is both a means and result of democratic processes, the formation of structures of civil society, a legal and social state, a powerful middle class.

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## **CONDITIONS FOR SUSTAINABILITY OF BUSINESS ASSOCIATIONS**

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**Abstract.** *The development of business associations at the present stage requires sustainability in a rapidly changing external environment. Business associations belong to economic systems that are advisable to consider from the standpoint of the general theory of systems to identify their immanent qualities. This approach expands the possibilities of controllability and sustainability of such economic systems, especially since this issue is the most urgent today. The article analyzed a number of system properties and formulated the necessary conditions for the stability of business associations. This allows you to build further the management of such socio-economic systems more efficiently.*

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**JEL Classification: L31, O16**

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### **Introduction.**

Public organizations in the world are becoming increasingly common and play an increasingly significant role. Their format is changing, new approaches to management appear. Even in the midst of a monopoly, business owners face difficulties and obstacles. One can overcome them only when the business community unites its efforts. The essence of a business association is to help business owners overcome problems that they cannot overcome alone. Moreover, in addition to the benefits for members of business associations, the work of associations has a key multiplicative effect on the improvement of commercial, state and economic institutions in a particular country. The importance of the role that associations play in the modern economy and society cannot be underestimated. Therefore, the issue of managing business associations is a very important and urgent task for modern conditions of their development.

The object of the research is the business association, as a socio-economic system.

For a long time, economists have used a systematic approach in their reasoning. This became the norm in the arguments about the functioning of socio-economic systems of various kinds. When it comes to applying a systems approach to the analysis of economic phenomena, we consider the system as a unity of goals, resources and structure (in general). Objectively, a person investigates economic processes that occur with a sufficient degree of uncertainty, i.e. the economic world exists by its own rules and laws - it is a living mechanism, as a part of the self-organizing systems of the noosphere. Scientists are exploring this world postfactum: exploring historical data.

The created theories allow to characterize, but not always explain, certain aspects of objectively existing economic processes. Since people are in some way the creators of objective reality, they assume, on a subconscious level, about methods of coordinated actions at one or another stage of the economic relations development. The economic life of economic entities must comply with laws that are universal (i.e. operate outside of our consciousness) and are manifested in all aspects of human existence. People gradually, as they evolve, begin to understand and substantiate certain categories characteristic of a given period of development, give them names, try to systematize them and combine them into knowledge systems (theories). Building economic models, economic theory is designed to reduce the degree of uncertainty of events (increasing the degree of information content) that occur in economic activity in order to increase the ability to predict the future with a greater degree of confidence.

### **1. Business association as a system.**

Today the management of business associations is not paid enough attention by scientists and practitioners. Justin Greenwood [1] studies the manageability of business associations to increase their relevance in the business environment based on interviews with 49 EU business associations and 151 members and non-members, which makes this study the most comprehensive analysis of EU business associations over the entire history. Greenwood considers business associations from the perspective of 28 factors. Among them, for example, the degree of specialization in the product chain, membership density, interaction with inter-sectoral organizations, the threat of issue, etc. K. Ronit [2] considers the development of global associations in his research book: [2] which outlines their economic, social and political functions. Their historical origins are outlined, including the spread of global associations in the twentieth and twenty-first centuries.

Scientists: Palgrave M., Bennett, R.J. [3], M. Boléat, M. [4], Bennett, R.J. [5,6,7], Ramsden, [8], M Dawley, D.D, Stephens, R.D. and Stephens [8], Didenko O.V. [9], A. Boguslavskiy [10], Bikovets V. [11], Kinah A. [12], etc. deal with the issues of the of business associations development. Recently, a project was implemented in Ukraine (2015-2018), the goal of which was to accelerate the development of the small and medium business sector in Ukraine by strengthening the potential of business associations that are involved in enhancing the dialogue between the private and public sectors. Partners in the implementation were the Ministry of Economic Development and Trade of Ukraine and the United Nations Development Program in Ukraine (UNDP) with the financial support of the Government of Switzerland [13]. As part of this project, management training was conducted for the managers of business associations in the Kiev-Mohyla Business School. At the same time, a business approach was applied to building management in business associations; a number of textbooks on specialized disciplines were written. The author of the article also participated in the implementation of this project, and taught a course on corporate finance [14].

However, neither foreign nor domestic scientists consider business associations from the position of management as a system. In the process of economic analysis of its vital activity, it is advisable to consider a business association as a system. The concept of a system first appeared and spread in a technique when individual machines (hardware) and their interconnections became too complex for one person to monitor simultaneously their functioning. Therefore, the concept of a system was introduced, which is a collection of elements that form a unity (synergistic effect) for performing a specific task.

Each socio-economic system (in our case, a business association), is a kind of unique entity that has qualities that other systems do not have similar. Nevertheless, scientists find common qualities for all kinds of systems, including socio-economic systems, which are defined as their properties. The proper properties of the systems help them identify and study their behavior. The purpose of the article is to study the system properties of a business association in the process of its management and development and to determine the necessary conditions for the sustainability of this economic system. Our life in a linear dimension arises in time, therefore, economic systems are classified as dynamic, and “whose elements are capable of moving, regrouping, and transforming under the impact of external and internal influences. The system does not collapse”[15, p.19]. In addition, we can assign economic systems to a class of evolutionary systems that are characterized by the irreversibility of processes in time. Business association, as a socio-economic system, refers to complex, dissipative, open, living systems and has the properties of dynamic stability, adaptability, self-organization and evolution, communication with the environment, informatization, integrity, hierarchy and diversity. We will show this in our further discussion.

## **2. Properties of business association, as a system.**

### **2.1. System integrity.**

“A system is an entity that, as a result of the interaction of its parts, can maintain its existence and function as a single whole” [16, p.28], “The basic quality of the organization of a system (integrity) consists in the irreducibility of its properties to the properties of elements and vice versa” [17, p.8]. Separate parts (elements) of the system were isolated mentally or actually from the outside world and united according to a common feature. Here an important role is played by the understanding that the behavior of the system depends on how these parts are interconnected. In other words, the system has qualities that its parts do not have. In a general sense, systems are part of larger systems. The economic system-business association is part of larger systems: business society, markets, economy of the country as a whole. Obviously, this results in a large number of connections between systems and elements of systems of different levels, which allows us to speak about the complexity of the element-wise, visible (this is a property of the systems, in which the external manifestation seems to be rather complicated, but in fact is interpreted by simple laws) the property of systems in which, as a result of the simultaneous action of feedback loops, a small change in the initial parameters can radically change the behavior of these systems) [16, p.250].

At the same time, “it is more natural or at least ambiguous to talk about complex behavior, rather than about complex systems” [18, p.12]. We consider how the economic system behaves (reacts to any external disturbances), how the market behaves, how society reacts to changes in laws, etc. The magnitude of the impact on the system is determined by the type and strength of the impact (internal and external). Typical impacts include internal effects that can disrupt the operation and interaction of individual elements of the system and lead to a change in structure, which contributes to the loss of a steady state (prerequisite to the destruction of the system). For example, a system can be destroyed, unregulated relations between members of an association: each of them may have different views on its development and they cannot come to agreed decisions on plans for the development of a business association. Even with a stable internal structure, external influences can have a significant effect on the system, in particular, an economic or political crisis, unstable political and economic relations between countries in the region, fluctuations in the market environment, significant industry changes, such as industry consolidation.

It is necessary to add one more essential condition for the sustainability of the economic system - the presence of intellectual cooperative thinking, which should ensure strict conditions for the selection of system elements. This is a necessary condition for any progressive evolution, i.e. ability to further develop.

## **2.2. Communication with the environment.**

Any relationships that carry out the elements of the system with objects that are not included in the structure of the business association will be considered as a link with the environment. The principle of sustainability of the homeostatic system or the pattern, expressed in the desire to maintain equilibrium with the environment, formulated A.L. Le Chatelier: with an external impact on a system that is in an equilibrium state, processes arise in the system that are aimed at counteracting a change. The system response time must be less than or equal to the frequency of external disturbances. The economic system, as well as any system consisting of living organisms, has complex feedback mechanisms that play the role of new selection principles, narrowing the system's behavior within a single synergistic process.

Any reaction to external influences on the system is feedback to the environment. Feedback can have both positive and negative effects on system stability. When the feedback loop balances the system, it becomes stable. If the feedback changes significantly the parameters of the system, then it can go out of equilibrium. The reinforcing loop can be so strong that it can even cause a resonant effect, which can bring the system into an auto-oscillatory mode, i.e. external influences are ineffective (transition to a chaotic state). If the system reaches the bifurcation point, then there may be two variants of the development of events: the process of frustration or the realization of one of the new ways of development. Any feedback loop is a causal time chain. At the same time, the time interval between events may be different (hours, months, years). In order to control the magnitude of the feedback, it is necessary to understand that it will simultaneously be the cause of future events in the same system.

The system consists of a set of elements that interact with each other through feedback loops. Positive feedbacks are reinforcing and negative feedbacks are balancing. "System dynamics emphasizes the learning nature of the interaction in the form of feedback loops" [19, p.126]. Feedback loops are necessary elements of adaptation of a dynamic system, since they contribute to its dynamic stability.

### **2.3. Dynamic stability.**

For the physical systems in which such natural sciences as math, physics, chemistry, biology, etc. are involved, the use of certain patterns from one area to another is normal. For social systems, where the main character is a person, a direct transfer of physical laws is unacceptable. The general theory of systems (hereinafter referred to as GTS) considers the general laws of biological, physical, and social systems. The theory of stability of the general theory of systems currently asymptotically approaches the interpretation of the real state of affairs. The general theory of systems (hereinafter referred to as GTS) considers the general laws of biological, physical, and social systems. The theory of stability of the general theory of systems currently approaches asymptotically the interpretation of the real state of affairs. The concept of sustainability in GTS is sufficiently studied and defined, although the generally accepted concept of sustainability does not exist. When defining the concept of sustainability for self-organizing (synergistic) systems, a special case of which are socio-economic systems, the main characteristics will be the objective function and feedback.

V.V. Artyuhov in the GTSU (General Theory of Systems by Urmantseva), based on the synthesis of many definitions of sustainability, adopted in different fields of science and technology, as well as the definition of systemic stability, Yu.A.Urmantseva gives a synthetic definition that states: "Sustainability is a property of system "S" to coincide on the grounds of "P" before and after the changes of "C", caused by the action of factors "F" [19, p.97].

The stability of economic systems is one of the main characteristics of its condition. When an external impact occurs, the system is in a certain area of stability and is determined by such a development vector over the time, which allows the system to achieve the objective function without significant reconfiguration of the system if it is economically stable. Compliance with these requirements allows avoiding reducing the effectiveness or frustration of the system.

Dynamic stability allows the system to evolve smoothly, without jerks. If you do not manage the stability of the system, you can lose its effectiveness (time, financial and other resources, etc.) or even lose this system if it is destroyed. It is necessary to introduce mechanisms for managing the dynamic sustainability of a business association and develop recommendations for their participants, including developing indicators characterizing sustainability, linked to the risk management system, which will lead inevitably to an increase in the economic effect in the system.

## **2.4. Self-organization.**

The system must have the ability to self-organization, which is expressed in the presence of flexibility and minimal response time to external disturbances. It is appropriate to quote the words of Corresponding Member of the USSR Academy of Sciences S. P. Kurdyumov: “A person, knowing the mechanisms of self-organization, can consciously introduce a corresponding fluctuation into the environment — if you can put it that way, prick the environment in the right places and thereby direct its movement. But to direct, again, not anywhere, but in accordance with the potential possibilities of the environment itself. There is freedom of choice, but the choice itself is limited by the capabilities of the object ...” [20, p. 55]. In fact, it is precisely the directed energy flows that the business association is unable to accept without consequences for itself, without rebuilding itself, cause its non-equilibrium states. “For the existence and development, the open system has more opportunities, which attracts more energy, substances, information from other systems or from the environment, and uses them more effectively” [21, p.55]. If you do not take measures to restore energy flows, the system comes to destruction.

Business association is a complex system and in the process of evolutionary transformations is characterized by such a concept as “self-organization”, which is understood as the process of establishing order in the system, which occurs due to cooperative interaction and connections of its components. Since the system has a memory, in fact, the presence or occurrence of orderliness in the economic system is the result of cooperation and non-linear behavior of elements of the previous level of organization. The term “self-organization” was first used by W. R. Ashby in 1947 when describing the behavior of cybernetic systems, considering it as an increase in the connectivity of these systems [22]. The general concept explaining the phenomenon of self-organization of systems at the suggestion of G. Haken was called “synergetic”, and means the coordinated interaction of parts in the formation of the structure as a whole [23, p.2]. The self-organizing system is always open, and the processes taking place in it are cooperative and consistent. There are two types of such systems: new elements do not appear they are recombined; new items are introduced.

## **2.5. Evolution.**

In practice, a business association is in a constant process of change over time. Some insight into the concept of system development is set forth in the definition: Yu. N. Lapygina: “Development is a characteristic of a system, which is a collection of related and directed changes in the properties and processes of a system” [24]. The development process takes place constantly along with the development of the environment: every day the system communicates with the environment, exchanges data, forms an information block of memory (“object portrait” - an idea of it as an object of communication, interaction results, etc.), which means, is trained (or not trained), adapts / or does not adapt (reacts) in a continuous mode. The development process takes place constantly along with the development of the environment: every day the system communicates with the environment, exchanges data, forms an information block of memory (“object portrait” - an idea of it as

an object of communication, interaction results, etc.), which means , is trained (or not trained), adapts / or does not adapt (reacts) in a continuous mode. Each new step in the time of the system activity is the acquisition of experience to harmonize a clearer interaction of the elements of the system and adjust the necessary time for its response to internal and external disturbances that ensure the dynamic stability of a given economic system.

Development can be evolutionary and involutional. During evolutionary development, the system acquires new qualitative characteristics, with involutional ones; the system loses some of the previously acquired characteristics and begins to degrade. "The more progressive the system, the greater the variety it possesses, which is manifested, in particular, in the diversity of its relations with the external environment" [24]. When a business association interacts with the environment, the processes of convergence and divergence occur depending on the interaction of the elements of the system with the external environment. The following cases of relationship are possible business-association-environment:

- 1) The system evolves, the environment is in involution (this is possible in the case of: the economic crisis in the country, but the business association is stable, evolving, divergence occurs;
- 2) The system evolves with the environment. Business integration, as well as the environment from the interaction (the result of positive feedback) receives an additional impetus to the development;
- 3) The system degrades, the environment evolves - this option is possible only if the oscillation frequency of the system and the environment do not match, then the process of divergence is under way;
- 4) The system is degrading, the environment is degrading. There is a problem with the survival of the system.

The development of the system can occur both in the mode of gradual (evolutionary development) and during the accumulation of necessary prerequisites, stepwise. Here, the law of the dialectic of the transition of quantity into quality is traced in an explicit form, since with the accumulation of certain changes, the system can dramatically move to a new qualitative level. This may be a new higher level of the development, or a fall to a lower level. Qualitative jumps of the system change significantly its properties. These jumps are observed after the system reaches the bifurcation points - the points at which a change in the former way of evolution occurs.

## **2.6. Adaptability.**

The organization of the system should be optimized, i.e. for any significant external impact; the system must have a high level of adaptability, which allows it to evolve. That is, with minor fluctuations (external disturbances), the system either restores quickly its basic parameters (system parameters, which determine the system development vector to achieve the objective function), in the case of significant disturbances, goes into a new stability state, i.e. the system develops, evolves. In other words, the system should be adaptive, i.e. one that in the course of its evolution demonstrates purposeful and adaptable behavior in a complex external environment.

The system should have such a degree of adaptability, such a set of parameters that retain the set values within the stability corridor in the direction of achieving the goal in a dynamic aspect. With a significant external impact, the system must be able to transition to another stable state, i.e. passing through the bifurcation point, would move to a new round of the spiral. In the event of a nonstandard situation in the external environment, the created mechanism for rapid response in the business association should work. In this case, it is necessary to provide for the system to work in advance, i.e. the rapid response mechanism involved the identification of the first signs of so-called unpredictable events and corrective actions were taken in the business association.

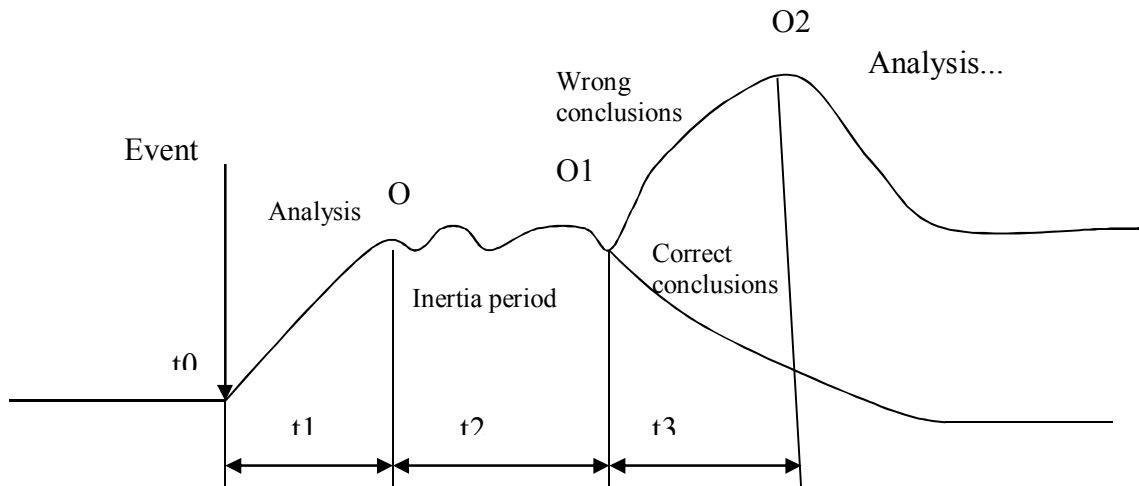
The mechanism of rapid response of a business association, as a system, will be understood as a set of special actions that allow predicting future events with a high degree of certainty and building up the behavior of the system in a turbulent environment.

To build a response mechanism, we turn to the concept of reaction. In medicine in relation to the human body, "The reaction is the action of the system to obtain the result of action necessary for its survival in response to an external influence, that is, it is a function of the system. The reaction is always specific. A living organism and its internal systems must always respond to certain external influences, and their reaction must be of the quality and volume that correspond to this effect" [25, p.52]. A business association is a living system, so this definition of reaction can be considered appropriate for reactions to external disturbances can be divided into two classes depending on the response force of the economic system: Normal; Insufficient; Complex.

A normal reaction is a reaction in which the reaction force exactly corresponds to the force of an external impact. In case of insufficient reaction of forces, the system is not enough to compensate for external influence. The reason for this reaction may be the lack of the necessary unit in the system (for example, an analytical function) or its poor quality work. Such a reaction is pathological for a system-business association. A complex reaction can be considered as one in which an unexpected, rather than expected, reaction appears. The presence of such types of reactions is a consequence of the fact that a complex dynamic system that develops is constantly on the verge of order and chaos.

The response process itself can be represented as follows. Until the reaction has become a habit (that is, the system has not learned and mastered this particular reaction), the process may look like this (Figure 1.). Some time passes between the beginning of the event and the beginning of the analysis process - this is the period of excitation (the action of the disturbing influence) of the system. It lasts until the system begins to take some kind of response. Denote this time  $t_1$ . At some point in time (point O in Figure 1.), the system begins its response actions. Either the analysis process begins (the intervention of the controlling agent occurs) or the system self-organizes (without intervention). If the system is not able to go into the stage of self-organization, it can go into self-oscillatory mode or starts moving towards destruction.





**Fig. 1. A typical system response to a disturbance**

Some inertial period (braking of the reaction) lasts after the start of the analysis process (in Fig. 1. from point O1 to point O2). If the system makes correct conclusions (responded correctly), then the system returns to its original state (trend) if the reaction was incorrect, then the system continues to move towards deteriorating conditions (p. O2 in Fig. 1.) and the analysis needs to be resumed again. In the general case, the whole response period  $t1 + t2 + t3$  must be less than or equal to the time of excitation of the system and the amplitude of oscillation (period from  $t0$  to  $t3$ ) must be less than the amplitude of the disturbing influence. In Fig.1. The general reaction scheme of disturbances is presented. Each individual's reaction to the same event differs both in time and degree of impact. A similar situation is added up in business associations (hereinafter, BA): the time and degree of reaction varies in different BA, depending on what the collective response of a particular BA may be and how the response mechanism functions (or not). A collective response implies a generalized response from a group of people participating in the assessment of any event. Adaptation mechanisms are characterized by a set of parameters that are monitored in BA. For each parameter, certain limits are set (stability range). Specialists in the course of their activities carry out the analysis of these indicators with a given periodicity and in case of danger of their negative impact on the sustainability of the system; mechanisms to eliminate problems are created that led to critical values of a particular indicator.

BA as a self-organizing system capable to cognition through feedback with the external environment introduces information (new knowledge) into its structure. Therefore, the cognition and learning processes are continuous. If the system did not record the type of disturbance, the nature of the impact on the system and did not find adaptation mechanisms, then such disturbances will comprehend the system again and again until it learns. The process of making certain decisions for the timely management of adaptation mechanisms should be carried out in real time, i.e. given the speed of decision making.

## 2.7. Informatization.

In practice, the BA system itself determines the degree of its openness (closure). Depending on the degree of openness of the system, we can talk about different degrees of adaptability and ability to develop. As it is known, the degree of freedom of a system is determined by its entropy. The number of freedom degrees determines the ability of a system to develop, evolve (in general). Entropy is maximal at a uniform probability distribution of the system states and is equal to [26, p. 473]:

$$H_{\max}(X) = \log n. \quad (1)$$

Achieving the maximum of entropy is a fairly conventional value, since any system has limitations that prevent the infinite growth of entropy. There are a lot of such restrictions, but more often, for economic systems, restrictions on resources are considered -  $U(x_i)$  [27, p.26]:

$$U(x_i) = \sum p(x_i) \quad U(x) \leq \text{const}. \quad (2)$$

This value determines the degree of closure of the system, since limits the growth of entropy in the system. The economic system develops thanks to its constant exchange with the environment of information, i.e. information counteracts the growth of entropy. And it is necessary for this that the information be received and processed by the system in the shortest period of time, with the least level of interference, was presented in the form that is optimal for perception. In accordance with the formula proposed by Claude Shannon [27, p.30]: “the information that the event (object, condition)  $y$  contains about the event (object, condition)  $x$  is equal to:

$$I(x,y) = \log p(x/y)/p(x) \quad (3)$$

Where,  $p(x)$  is the probability of an event  $x$  before the onset of the event  $y$  (unconditional probability);  $p(x/y)$  is the probability of an event  $x$  under the condition that the event  $y$  occurs (conditional probability).

Under the events  $x$  and  $y$ , we will understand the stimulus and reaction, the input and output, the values of two different variables that characterize the state of the system”.

If we imagine the entropies of some variable of the system  $X$  -  $H(X)$  and the entropy of the variable  $Y$  of the same system -  $H(Y)$  in the form of circles, then the greater the entropy, the greater the area of the circles. If the correlation coefficient between these variables is 0 (there are no connections between the variables), then the circles do not overlap. Then the total entropy is equal to the sum of the entropies of these variables (the sum of the areas of these circles). If the correlation coefficient is greater than 0 (there is a connection), then the circles will intersect and mutual information  $I(X, Y)$  will take place, which will act as a measure of such an intersection. Obviously, in this case, the entropy of two variables will decrease by the amount of information “known” to both variables [27, p.31]:

$$H(X, Y) = H(X) + H(Y) - I(X, Y), \quad (4)$$

The more mutual information, the closer the connection, the lower the entropy  $H(X, Y)$ . In order for the system to evolve, it is necessary that the amount of processed information be more than entropy, “The dynamics of information processing must suppress the entropic environment of the system” [27, p.35]. Information is discrete, i.e. does not flow continuously. It can be concluded that a maximum of information will be obtained by a system that is able to adapt to changes in the external environment in a timely manner, maintaining internal consistency, or a system that adequately and timely reacts to changes due to advanced development and changes in the internal state.

Similar to entropy, maximum information is also impossible to achieve in the real world, as it is also limited by the same factors as entropy (for example, resources).

Thus, in order for the BA system to adapt the best to disturbances of an internal and external nature and develop, it is necessary to find the optimal relationship between entropy, as a degree of uncertainty (chaos), and system awareness, as an indicator of its orderliness.

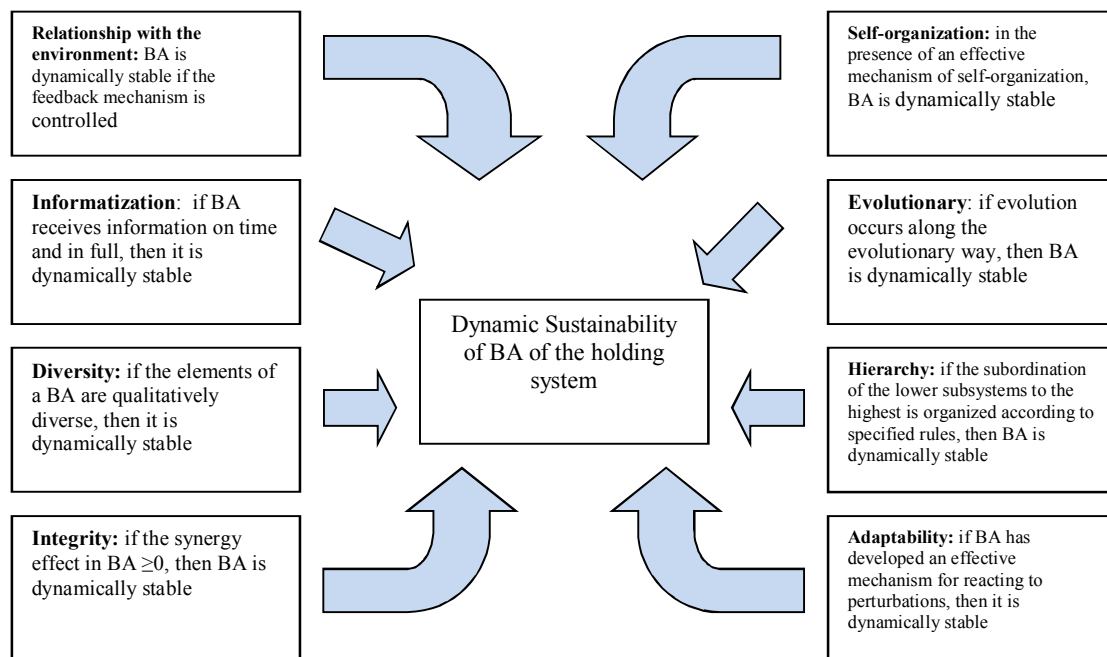
Let's consider two diametrically opposed cases to illustrate this. The first one is the system:

1. cannot cope with the growth of entropy;
2. has a lot of levels of freedom;
3. has minimal resource limits;
4. There is a lot of information and the system does not have time to process it (the efficiency of information processing is low).

For this case, there is an obvious low level of adaptation: the system cannot adapt to the environment and perishes. And the second case:

1. the system is strictly limited in many ways;
2. entropy grows weakly;
3. it is not enough of information.

There is clearly a high degree of adaptability, but there is no development at all (evolution), since there is no incentive to fight for survival. Obviously, these cases demonstrate a low system efficiency. Thus: “restrictions on resources, on the one hand, should ensure the vitality and sustainability of the system, on the other hand, they should not allow perfect adaptation to the environment. The regime of intense and effective search for a way out of changing situations, the optimally balanced amount of incoming information, its processing and implementation should be provided [27, p.40]. All properties of systems are interconnected, i.e. one property of a system can both strengthen and reduce its influence on other properties of systems. Therefore, we consider the socio-economic BA-system in the interdependence of all properties immanent to the system. Since the subject of study is the stability of the system, then consideration of this property is impossible without taking into account the influence of the properties of the system. Possible options for mutual influence in the formation of the stability conditions of the socio – economic system are presented in Fig.2.



**Fig. 2. The influence of the properties of the system on its stability.**

From Figure 2 it can be seen that each separately taken property of the system is a necessary, but not a sufficient condition for its stability. However, if we consider all the properties together, then this will be a sufficient condition for the stability of the system. The properties of the system form the factors that influence the stability condition.

### Conclusions.

Based on the above, we formulate the necessary conditions for the stability of the economic system - business associations:

1. The system is stable if the system's interactions with the environment related to the exchange of resources (material, financial, human) are in the form of treaties (contracts) limiting the opportunistic behavior of the partners of the relationship.
2. The system is stable if it maintains its integrity due to the presence of positive synergistic effects and cooperative thinking. In addition, its internal organization is subject to a number of rules, institutions that limit the opportunistic behavior of subsystems and employees.
3. The system is stable when there are a variety of elements in it. Diversity can be classified as a variety of quantity, diversity of quality, diversity of relationships between the elements of the system.
4. The system is stable when it has effectively organized internal information flows between its elements, as well as flows of interaction of the system with the environment (information comes in time, in the right place, in the required volume, with the required level of confidence).
5. The system is stable when it has a hierarchically correctly built structure with unconditional subordination of the lower elements to the highest. Each element (member of

the BA) is given a certain amount of creative freedom. The principle is implemented: a system for a man. Each person, as an element of the system, has the opportunity of not only material, but also a spiritual growth in the system.

6. The system is stable if it has sufficient ability to self-organizing. The principle of self-organization underlies the conditions for the existence of dynamic deterministic systems, a class of which includes real systems, including socio-economic ones.

7. A system is stable if it follows an evolutionary way. Here, the evolutionary way of development implies the choice of the optimal ways for the development of the system, the presence of an ensemble of adequate responses to internal and external disturbances.

8. The system is stable if it has developed and implemented an adaptation management mechanism.

9. The system should be redundant, i.e. have an archive of memory (information support), sufficient energy and material resources.

10. The system is stable if the response time of adaptive management mechanisms occurs in real time.

The conditions of stability, formulated on the basis of the initial premise of the relationship of all properties of the system, determine these conditions of stability as a state of the BA system.

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## **PROBLEMS AND PROSPECTS FOR DEVELOPMENT OF BANK LENDING TO THE AGRICULTURAL SECTOR OF THE UKRAINIAN ECONOMY**

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**Abstract.** *The development of the agricultural sector of the Ukrainian economy requires attraction of additional financial resources both for financing current activity and for capital investments. That is why to research the problems and prospects for development of bank lending to the agricultural sector is a priority task. The economic essence and types of bank lending to the agricultural sector of the Ukrainian economy have been revealed. It has been found that specific features of functioning of the agricultural sector increase credit risks. An assessment of the state of lending to the agricultural sector by banks of Ukraine has been made, which allowed to systematize the problems of its development: high interest rates on loans, low quality, specificity and insufficiency of collateral for loans; a significant proportion of fixed assets depreciation; a large number of non-credit enterprises in the industry; high credit risks etc. The solution of these problems requires legal regulation of the land market; application of an individual approach to the formation of collateral; usage of non-standard credit products; distribution of preferential lending; development of the functioning mechanism of the State Agrarian Bank; creation of cooperative banks.*

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**JEL Classification: G21, Q14, Q18**

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### **Introduction.**

Ukraine is an agricultural state, and the agricultural sector with a basic component, agriculture, is system-forming in the national economy. The agricultural sector of the Ukrainian economy forms the basis for preserving the sovereignty of the state: food, economic, ecological and energy security, ensuring the development of technologically related branches of the national economy and socio-economic bases of rural territories development.

The agricultural sector accounts for a significant share of GDP and is one of the main sources of foreign exchange earnings. The export potential of Ukraine in this direction is only gaining momentum; domestic producers are beginning to master new markets, including European ones, which indicates the competitiveness and quality of products.

However, the agricultural sector is suffering from a lack of financial resources, more than other sectors of the Ukrainian economy. Implementation of investment projects, updating the material and technical base, replenishing working capital in the agricultural sector require the attraction of additional funds, the main source of which is bank credit. However, due to the existence of a number of problems, the development of bank lending to the agricultural sector is hampered. Identifying these problems and the need to find ways to solve them determine the relevance of this study.

### **1. Economic essence and peculiarities of bank lending to the agricultural sector of the Ukrainian economy**

Analyzing the concept of "the agricultural sector of the economy" it should be noted that there are different approaches to its definition. N.Goncharuk defines the agricultural sector of the economy as a set of interconnected branches of agriculture and functionally related service units that satisfy the need for food and raw materials for the processing industry [1]. In addition to agricultural enterprises, the agricultural sector also includes agricultural education institutions, scientific and research institutions, as well as central and local agricultural administrations.

According to I. Suray, in the broad sense, the agricultural sector of the economy covers all enterprises of Ukraine, irrespective of the form of ownership and the organizational and legal form, which produce agricultural products and products of its primary processing, and related service enterprises, as well as organizations, which carry out the development and implementation of the state agricultural policy. In the narrow sense, it is considered only as a sector of the economy, which covers all enterprises that produce agricultural products, carry out their primary processing, and serve these processes [2].

The Law of Ukraine "On the Basic Principles of the State Agricultural Policy for the Period till 2015" states that the agricultural sector of the economy includes agriculture and fisheries, food industry and processing of agricultural products, as well as agricultural science and education, the social sphere of the village, their logistics and financial support [3]. Besides agriculture, the State Statistics Service of Ukraine also relates forestry and fisheries to the agricultural sector of the economy.

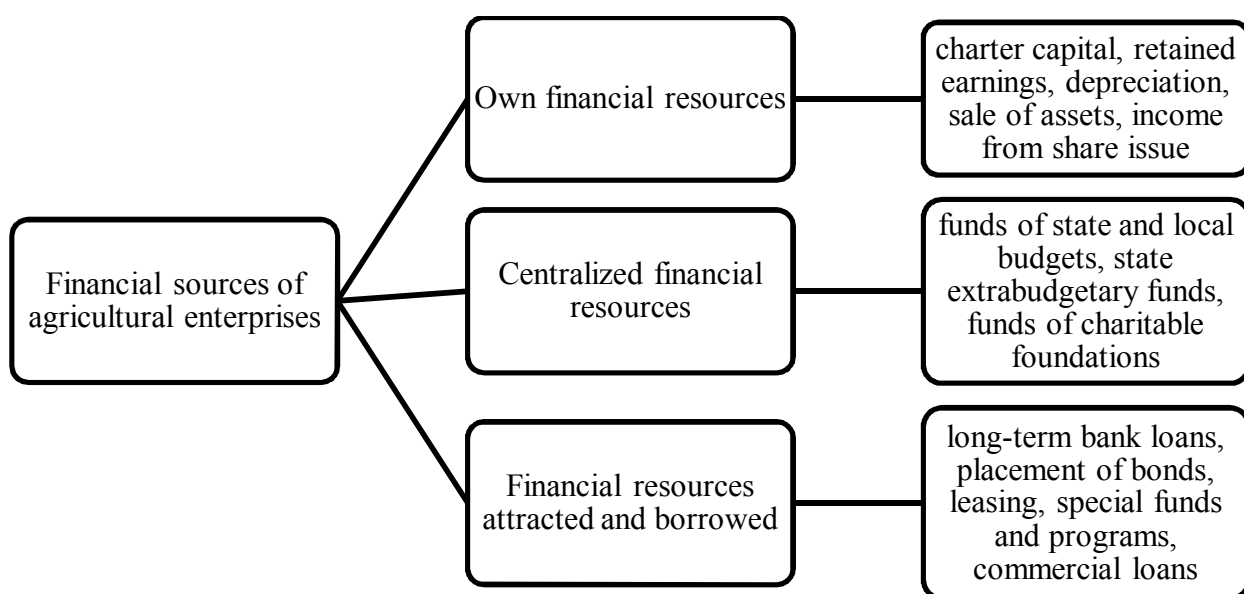
The historical tendency of the agricultural sector development lies in the fact that the food and processing industry, agricultural machine building, agricultural education and science began to grow more and more around the core of livestock and agriculture. Herewith, while employment in agriculture and livestock with each step of scientific and technological progress decreased, in the other substructures of the agricultural sector, on the contrary, it increased.

The main objective of agricultural policy at the present stage of development of agricultural relations in Ukraine can be defined as increasing the competitiveness of domestic



agricultural products in the domestic and international agricultural markets. If we consider the whole complex of urgent issues and problems that exist today in the agricultural sector of the Ukrainian economy, then they can be reduced to one problem – the lack or shortage of funds to replenish the turnover means and to restore the main means of production.

Agricultural enterprises need funds to finance their current activities, introduction of advanced technologies, insurance of existing risks, and development of trade and transport infrastructure. For this purpose, own and attracted financial resources (investment and lending) are used. However, the agricultural sector has been trapped in limited access to resources in the presence of a significant number of financial instruments in the Ukrainian market. At the same time, new mechanisms of banking, commercial and bill crediting are being developed and become practical. Under market conditions, agricultural production will not function efficiently without raising funds. Sales difficulties and reducing the volume of state budget support increased the need for lending to enterprises in the agricultural sector. It is not a secret that for domestic businesses, money resources are a huge deficit [4]. For a stable functioning of the production process, agricultural enterprises should have certain stocks of material and financial resources. Forming resources, first of all, at their own expense is a normal phenomenon (Fig. 1).



**Fig. 1. Financial sources of agricultural enterprises [5]**

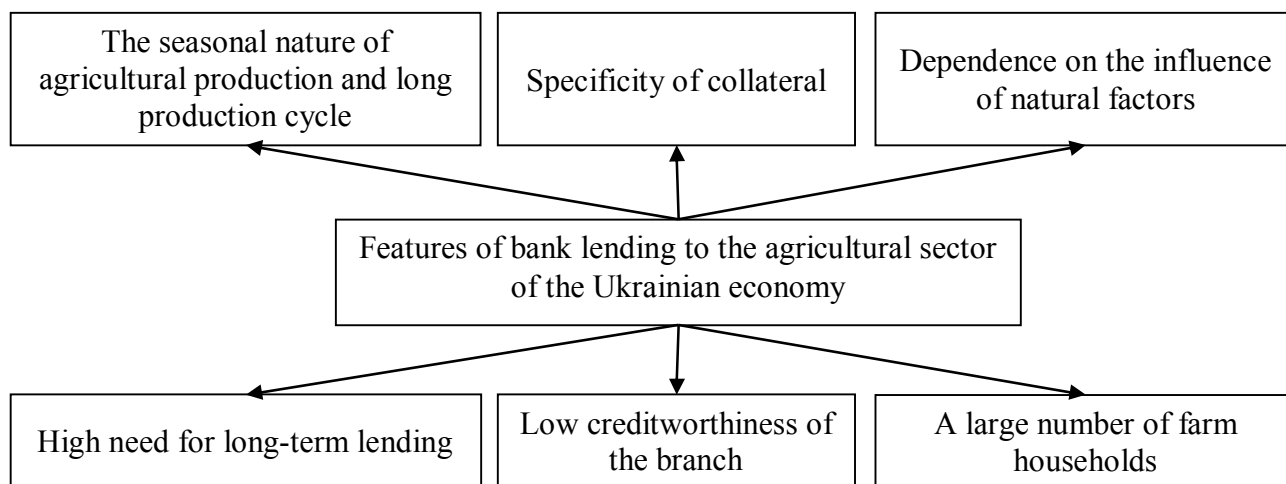
The experience of enterprises of the agricultural sector shows that in recent years the overwhelming majority of them cover most of the operating expenses on their own, which is not justified either theoretically or practically. Unfortunately, specific features of agricultural production, in particular seasonality, do not allow to ensure the continuity of the production process and compliance with technology solely at the expense of their own financial resources. Therefore, the enterprises are forced to apply for loans to banks in order to cover the difference between the total need for financial resources and their actual volumes.

According to O. Kirichenko: "credit relations of the agricultural sector characterize a qualitatively new level of economic development, when the production process is preceded by a loan, a credit operation that enables to determine in advance the volumes of production and conditions of product realization in a certain market" [6]. Bank lending to the agricultural sector is a specific type of active operations in connection with the peculiarities of functioning of the agricultural sector. Under the concept of bank lending to the agricultural sector, we propose to understand economic relations that arise between banks and enterprises of the agricultural sector regarding the provision of the latter with a priority source of funding on the principles of reciprocity, payment, security, timeliness and targeted use, taking into account the specific features of the agricultural sector.

Lending to agricultural sector enterprises is based on the principles of lending to enterprises of other sectors of the economy, but it has significant features, which are determined by dependence of the industry reproduction process on natural conditions. And this determines: firstly, a clear periodization of the production process and makes it impossible to break it, which calls for the provision of loans to producers of the industry at a clearly defined time and in full; secondly, the slowdown in capital turnover requires an increase in the timing of borrowing and a reduction in loan fees; thirdly, the lack of equivalence of exchange and low profitability of agricultural production require a reduction in the payment of a loan; fourth, the low level of technical equipment at a high level of its wear and the use of outdated technology requires a significant amount of investment support credit; fifth, the increased level of riskiness of the industry requires the use of an adequate level of insurance protection [7].

The main peculiarities of bank lending to the agricultural sector of the Ukrainian economy, which complicate the process of its lending, can be schematically depicted in Fig. 2. The above features affect the riskiness of the agricultural sector, depending on the specifics of the borrower's activities and the features of doing business. Banks must adapt internal procedures and credit products to the specifics of the agricultural sector.

One of the most important features of lending to the agricultural sector is the seasonal nature of agricultural production, as well as a long production cycle, which results in a significant gap in time between the implementation of production costs and the proceeds from its sale. This leads to a shortage of working capital and, consequently, to the need for its coverage through short-term loans. Obstacles in attracting loans to smooth seasonal production are the lack of mandatory property insurance and the lack of highly liquid collateral. Traditional types of mortgaged property, such as movable and immovable property, agricultural machinery, are also added to specific types of cattle, future harvest, and agricultural receipts. The absence of a liquid mortgage due to the fact that the fixed assets of farmers are worn out, the finished products carry increased risks, because they are fast-spoiling and require special storage conditions. Agricultural land cannot act as collateral due to a moratorium on its sale.

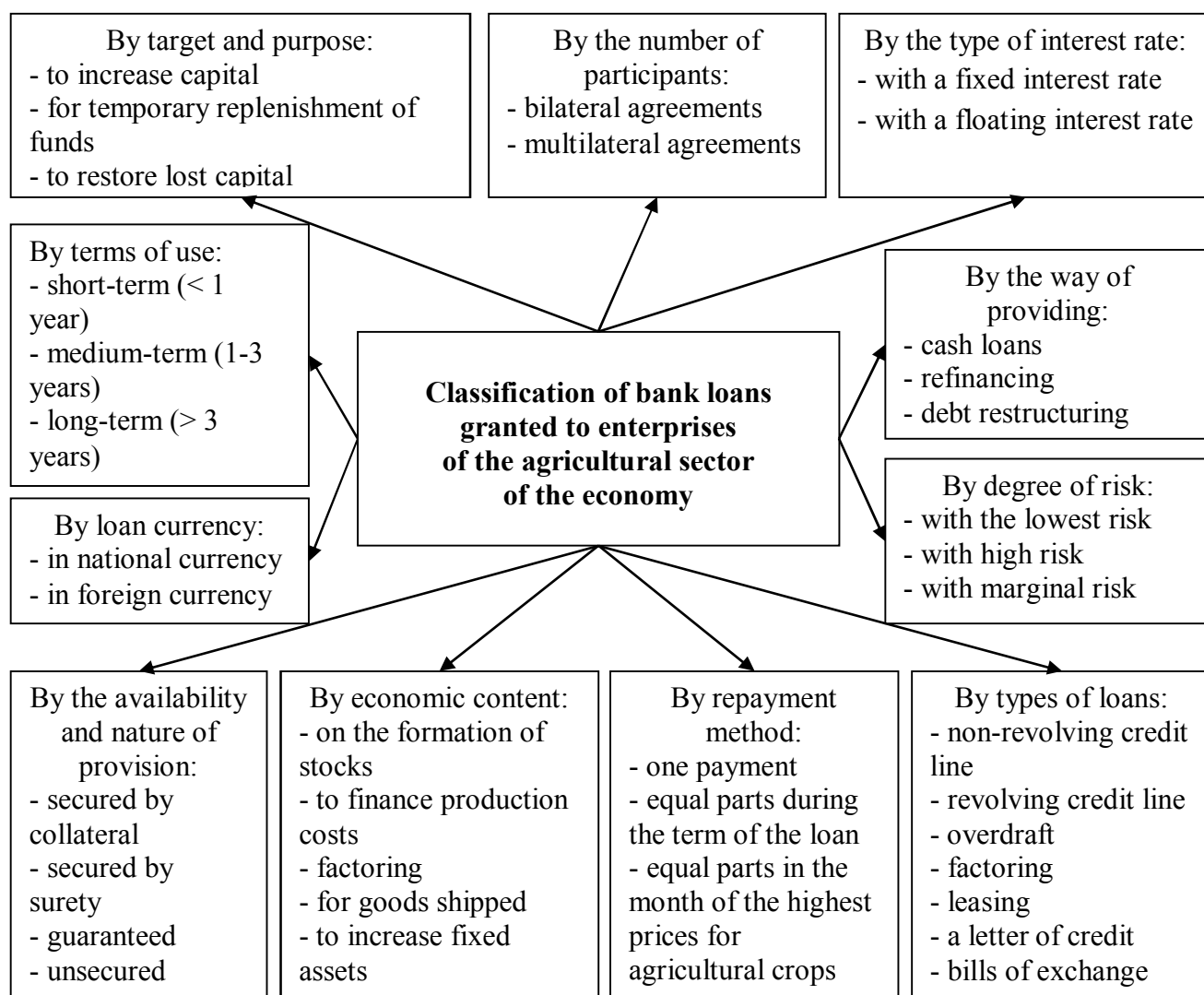


**Fig. 2. The features of bank lending to the agricultural sector of the Ukrainian economy**

Another feature is the increased risk of non-repayment of loans as a result of the negative influence of natural factors, namely: adverse weather conditions, diseases, parasites, etc., which can reduce plant yield and animal productivity, which in turn leads to a failure to achieve the planned financial result. It is worth noting that the crop branch is more risky, because it is impossible to accurately predict weather conditions. In addition, there is a risk of death or damage to property as a result of a natural disaster, which not only reduces the profitability of production, but can also destroy the provision of credit [8].

The high need for long-term lending to agricultural enterprises is conditioned by the need to invest in re-equipment of production, purchase of agricultural machinery, and construction of infrastructure facilities. The specificity of the modern agricultural sector in Ukraine is also that the vast majority of agricultural products are produced not by agricultural enterprises, but by household plots, which, along with farms, are considered to be the most effective forms of agricultural entrepreneurship during the transitional period. Household plots include farms whose production exceeds the volumes required for household consumption, and the surplus is sold as goods by different channels in the market outside the household [9]. Bank assessment of creditworthiness of such households (and, accordingly, the provision of loans) is problematic because they do not have verified sources of income. Of course, the peculiarities of the agricultural sector have affected the variety and conditions of bank lending. Taking into account the specifics of lending to agricultural enterprises, the classification of bank loans granted to enterprises in the agricultural sector was supplemented and improved (Fig. 3).

The most specific features of lending to agricultural enterprises are reflected in the classification criterion "by the availability and nature of provision". The most popular is the mortgage of agricultural equipment, but due to material depreciation, long term and intensity of exploitation, banks refuse to take it as collateral. Therefore, banks pay great attention to the use of the future harvest as collateral.



**Fig. 3. Classification of bank loans granted to enterprises of the agricultural sector of the economy**

## **2. An assessment of the state of lending to the agrarian sector by the banks of Ukraine**

The agricultural sector represents a significant share of the gross domestic product of Ukraine (hereinafter referred to as GDP) and is one of the main sources of foreign exchange earnings in the country, showing high rates of development over the last years. According to the State Statistics Service of Ukraine, in 2017, 50 115 enterprises and 26 476 private entrepreneurs (4.24% of all business entities) functioned in agriculture, forestry and fisheries, which formed 12.1% of Ukraine's GDP. Besides, the agricultural sector provided jobs to 18% of the working population. For comparison, 22% were employed in wholesale and retail trade, and repair of vehicles, 15% – in industry, and 6% – in transport, warehousing, postal and courier activities [10].

The agricultural sector of Ukraine has been showing high rates of development for the last 7 years. The volume of agricultural production in constant prices in 2017 amounted to EUR 7439 million, and compared to 2010, it increased by almost 30%. In terms of regions, the largest volumes of production were recorded in Vinnytsia Oblast – 8.2%, in Dnipropetrovsk Oblast – 6.1%, in Kyiv Oblast – 6.0%, in Kharkiv Oblast – 5.7%, and the smallest ones were in Zakarpattia Oblast (1.6%), Luhansk Oblast and Chernivtsi Oblast (1.8% each).

The agricultural sector produces 36.5% of commodity exports (Fig. 4). For comparison, exports of precious metals and articles thereof are only 26.8%, machine building products – 10.1%, light industry products – 2.7%. However, half of all exports of agrarian and food products account for the export of raw materials. Share in total exports: cereal crops – 37.0%, oils total – 24.1%, oil seed – 10.3%.

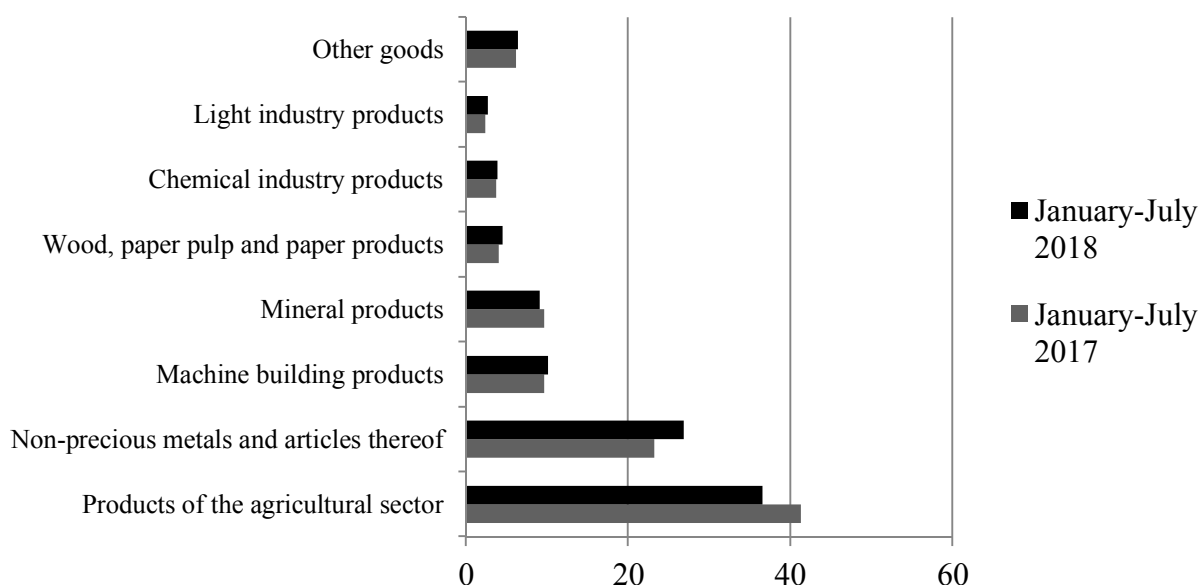


Fig. 4. Commodity structure of exports in January–July 2017 and 2018, % [11]

The geographical structure of exports is as follows: India – 10.8%, the Netherlands – 6.0%, China – 5.7%, Egypt – 5.6%, Spain – 4.6%, Turkey – 4.2%, Italy – 4.2%, Poland – 3.6%, Belarus – 3.2%, Iran – 3.0%.

In the export orientation of the agricultural sector, the industry was in short supply of financial resources, which affected the technical equipment of production, the volume of fertilizers, the use of plant protection products, and all in all the compliance with the standards of the technological process. The main indicators for banks analyzing the creditworthiness of agricultural enterprises, in addition to volumes of production, are equity, the authorized capital, the cost and the degree of fixed assets depreciation, volumes of agricultural land, net profit, profitability, etc. Also, when deciding on the possibility of granting a loan, an important role is played by the presence of mortgaged property.

The conducted analysis shows a high degree of fixed assets depreciation (35.7% – 40.8%) and their moral obsolescence. This makes it impossible to use them as collateral. In addition, the agricultural land, of which 97% is on the lease, cannot be a pledge. In 2017 their volume amounted to 41 489 thousand hectares or 68.7% of Ukraine's land area.

The equity of agricultural enterprises in 2017 amounted to EUR 13 027 million (of which 10% was the authorized capital), the initial value of the fixed assets depreciation was EUR 10 199 million. The net profit of agricultural enterprises amounted to EUR 2 342 million, the level of production profitability was 18.7% (25.6% in 2016), and the percentage of profitable enterprises was 86.7% (88.4% in 2016). Herewith, the indicators of crop production profitability (20.9%) were significantly higher than the indicators of livestock products profitability (-1.3%) (Table 1).

**Table 1. The main activity indicators of enterprises of the agricultural sector of Ukraine in 2010–2017**

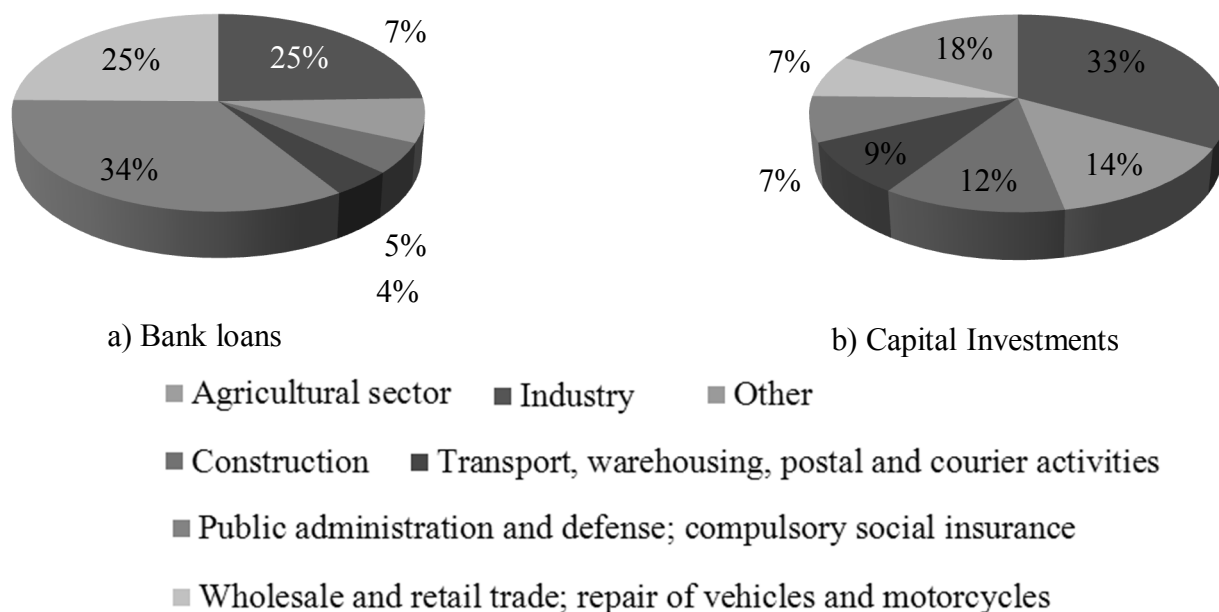
Indicator	2010	2013	2014	2015	2016	2017
Equity, mln EUR	8549	13520	8524	10496	13023	13027
Authorised capital, mln EUR	2116	2462	1588	1217	1409	1307
Net profit, mln EUR	1632	1352	1113	3886	3160	2342
Profitability, %	17.5	8.3	9.3	30.4	25.6	18.7
The share of profitable enterprises, %	69.6	80.3	84.7	88.9	88.4	86.7
The initial cost of the fixed assets, mln EUR	10724	14130	8911	8015	9516	10199
Residual value of the fixed assets, mln EUR	6347	9065	5456	4901	5971	6558
The degree of depreciation of the basic means of production, %	40.8	35.8	38.8	38.9	37.3	35.7
Agricultural land, thousand hectares	41576	41526	41512	41508	41505	41489

While the volume of agricultural production is increasing, investment activity in the agricultural sector of the Ukrainian economy remains low. Agricultural enterprises work mostly at the expense of their own resources. Although the share of self-financing is significant, but it is not enough to meet all needs. Thus, access to financing (15.3%), corruption (14.0%) and tax regulations (13.6%) are among the most influential factors hindering the development of the agricultural sector of the Ukrainian economy.

Accumulation of own financial resources of enterprises of the agricultural sector with the purpose of technical re-equipment at the present stage of development is extremely problematic, since according to the results of 2017, 13.3% of agricultural enterprises are loss-making, while the average level of their profitability tends to decrease.

The specifics of the production of agricultural enterprises are associated with high risks. The main reasons why banks consider the agricultural sector as a risky borrower are insufficiency of liquidity, high risks of non-repayment of loans, unstable financial conditions, and dependence on natural factors. Therefore, the advantage of bank lending is given to low-risk and high-yield activities where the level of non-repayment of loans is

lower and the turnover of capital is less. Experts estimate that such industries include processing industry, wholesale and retail trade. According to the National Bank of Ukraine, in 2017, the agricultural sector attracted 14% of capital investment from total investments in the Ukrainian economy. Herewith, among the bank loans granted to the Ukrainian economy, the share directed towards the agricultural sector was only 8.1%, while towards the processing industry, wholesale and retail trade it was 24.5% and 34.1% respectively (Fig. 5).



**Fig. 5. Capital investments and bank loans by types of economic activity in 2017**

In recent years, funding from the budget for financial support of the agricultural sector through preferential loans has not been substantially increased (EUR 10.6 million in 2016, and EUR 11.1 million in 2015). In 2016, it was revised to increase the rate of the single tax on agricultural producers, which additionally increases the tax burden and worsens the conditions of functioning. The main source of capital investment financing in 2010–2017 remains the own funds of enterprises and organizations, which accounted for 61.7% – 70.5% of the total volume, local budget funds make up 2.7% – 9.3%, funds of the population for housing construction – 7.3% – 11.7%, bank funds – 6.6% – 13.9%, state budget funds – 1.2% – 5.7% (Table 2). Financial investments were mainly aimed at restoring the material and technical base (reequipping livestock facilities, building vegetable stores, building closed greenhouses, recultivation of lands).

Despite the importance of the agricultural sector in the system of the reproductive process of the national economy, the share of bank loans in the overall structure of capital investment is insignificant – 6.6% in 2017 and has negative dynamics during the last 7 years. While in developed countries it reaches 50%. The portfolio of bank loans for the agricultural sector amounted to EUR 1 783 million.

**Table 2. Capital investment in the agricultural sector by sources of financing in 2010–2017**

Sources of funding	2010		2013		2014		2015		2016		2017	
	mln EUR	%	mln EUR	%	mln EUR	%	mln EUR	%	mln EUR	%	mln EUR	%
Total, incl. at the expense of:	17079	100	22630	100	11409	100	10415	100	12638	100	13389	100
the state budget funds	967	5.7	559	2.5	142	1.2	264	2.5	326	2.6	457	3.4
funds of local budgets	542	3.2	616	2.7	308	2.7	544	5.2	944	7.5	1241	9.3
own funds of enterprises	10533	61.7	15015	66.3	8040	70.5	7030	67.5	8753	69.3	9257	69.1
bank loans and other loans	2165	12.7	3146	13.9	1130	9.9	791	7.6	954	7.5	883	6.6
funds of foreign investors	352	2.1	387	1.7	293	2.6	312	3	346	2.7	185	1.4
funds of the population for housing construction	1786	10.5	2180	9.6	1147	10.1	1220	11.7	1053	8.3	979	7.3
other sources	733	4.3	728	3.2	348	3	255	2.4	264	2.1	386	2.9

In terms of regions (except for the temporarily occupied territory of the Autonomous Republic of Crimea and the city of Sevastopol), Kyiv and Kyiv Oblast accounted for 50.4%, Dnipropetrovsk Oblast – 11.7%, Kharkiv Oblast – 6.7%, and Odesa Oblast – 3.8% . The smallest amount of loans was issued in Chernivtsi Oblast, Ivano-Frankivsk Oblast – 0,3% each, in Zakarpattia Oblast, Donetsk Oblast and Luhansk Oblast – 0,2% each. Thus, the differentiated distribution of loans between regions is evident.

According to the loan period, medium-term loans prevail and amount to 38.5%, long-term loans also have a significant share – 31.4%, and short-term loans have the smallest share – 30.2% (Table 3). The active use of medium-term resources indicates the existing financing of investment projects, and not only replenishment of working capital.

**Table 3. The structure of bank loans granted to enterprises of the agricultural sector in 2017**

Type of currency	Total		including the loan period					
			Short-term loans		Medium-term loans		Long-term loans	
	mln EUR	%	mln EUR	%	mln EUR	%	mln EUR	%
Total, incl.:	1783	100	538	30.2	686	38.5	559	31.4
in the national currency	1373	77.0	361	26.3	514	37.4	498	36.3
in foreign currency	409	23.0	177	43.2	172	41.9	61	14.9

The currency composition of loans is a high risk for banking institutions – 23% of the agricultural loan portfolio is issued in foreign currency. The risk particularly increases in conditions of fluctuations of the national currency.



Special loan programs for agricultural enterprises are opened in the following banks: PrivatBank (AgroCUB, Agrisezon), OTP Bank (Agricredit Instant, Simple Agro, Agro Business Financing), FUIB, Raiffeisen Bank Aval, Credit Dnepr, Pravex Bank, Kredobank (SME Agribusiness Program), Credit Agricole Bank (Double Taxation Program), Globus (Hliborob program). All the financing programs can be divided into three groups according to the direction of financing: replenishment of working capital – the program is aimed at financing working capital, namely purchase of fertilizers, repair of equipment and payment of wages (overdraft, credit line, term loan); implementation of investment projects – the program is aimed at financing investment projects for the construction of fixed assets, such as elevators, warehouses, etc., as well as the purchase of equipment for the construction of these objects; purchase of agricultural machinery – a loan program for the purchase of technology of foreign and domestic production.

The terms of lending to agricultural enterprises offered by banks make this source of funding unavailable to most agricultural producers. This is especially true for short lending terms and high interest rates (Table 4). The high risks of the industry and the lack of liquid collateral led to the fact that the average rate for using loans for agricultural enterprises is higher than the average rate for the branches of the economy. The lowest interest rates on loans are ones for the purchase of agricultural machinery through the development of partner programs between banks and equipment suppliers. Among the banks operating in the financial market of Ukraine, only a few continue to finance agricultural enterprises.

**Table 4. Conditions of the main credit programs of Ukrainian banks for enterprises of the agricultural sector in 2017**

Parameter	Replenishment of working capital			Implementation of investment projects	Purchase of agricultural machinery
	overdraft	credit limit	term loan		
Amount, UAH	Limit 30–40%	Up to 1 mln UAH	10 thousand – 30 mln	50 thousand – 50 mln	Up to 75% of market value, 50 thousand – 50 mln
Term	1 day – 1 month	Up to 1 year	1 month – 3 years	1 month – 5 years	1 month – 5 years
Interest rate, % per annum	Average 19.5%	Average 18.9%		19 – 26	18 – 27 (special programs up to 18.0)
Commission, %	1.0 – one-time	0.9 monthly and 3.0 – for each transfer	0–1 – one-time and / or 0.1–0.5 – monthly	0.5 – 1.0 one-time	0.5 – 1.0 one-time
Collateral	Blank	Bail	Pledge	Pledge	Pledge
Insurance of collateral, %	–	–	0.3	0.3	0.3

The analysis made it possible to identify problems that have a negative impact on the lending to the agricultural sector, and namely: high interest rates on loans, poor quality and insufficiency of collateral for loans, impossibility of providing agricultural land with mortgages or lease rights on them, a significant proportion of fixed assets depreciation, a large number of non-credit enterprises in the industry, high credit risks, etc.

Stimulation of bank lending to the agricultural sector is possible on two levels – public and private. The first level includes measures that are within the competence of the state authorities, since the regulation of the latter affects conditions in which the actors of the agricultural sector and financial institutions will function. Besides, the objective need for state support for the development of bank loans is determined by the importance of the agricultural sector in the structure of the national economy, and high risks inherent in the industry. One of the manifestations of such support is the provision of loans on preferential terms. This is largely reflected in the compensation of part of the loan interest, which actually makes the interest rate for agricultural units lower than market rates.

The importance of the role of the state in this issue is confirmed by the practice of other states. EU Member States pay a part of the interest cost, thus converting a regular loan into a preferential one. In some countries, specialized state-owned banks visibly participate in lending to the agricultural sector. One of these banks is the Agricultural Rental Bank of Germany. The main area of banking activity is medium- and long-term lending to the agricultural and food sectors. In its activities, the bank does not enter into direct competition with commercial banks. Loans are granted only through other banks. The annual return after subsidizing of reserve funds is used to fulfill the task of promoting agricultural and forestry enterprises [12].

Taking into account the experience of developed countries, it is important for Ukraine to create a state financial and credit institution – the State Agricultural Bank, which would specialize in financing the agricultural sector of the economy, providing loans and guarantees to farmers by buying their debt securities. Deep industry lending specialization will allow assessing existing risks more accurately to make appropriate informed decisions. In addition to performing the main functions, the financial institution may engage in the provision of additional related services: evaluation of investment projects, collection, storage and provision of information on the activities of agricultural enterprises.

The practice of creating a single clearing house for the agricultural sector is not new and has been successfully implemented in many leading countries of the world – Belgium, the Netherlands, France and others. Such a highly specialized bank in our country should also be the developer of methodological recommendations, instructions, uniform forms of credit cards and document packages, and the guarantor of the creation of preferential credit conditions for the agricultural sector [15]. The legal solution of the land market issue also fall within the purview of the state authorities. The moratorium on land sales excludes the possibility of using the land as collateral, which, accordingly, reduces the possibility of obtaining credit resources.

The second level of stimulation of bank lending is the use of the potential of private capital in the form of creation and operation of cooperative banks. Proceeding from the banking practice of highly developed countries, a significant share of lending to agriculture is carried out by cooperative financial institutions [12].

In view of this, the development of a system of cooperative banks is important in stimulating the development of the Ukrainian agricultural sector. Since these financial institutions are limited in territorial terms, it would be relevant to introduce changes to reduce the minimum required amount of authorized capital for the establishment of cooperative banks. First and foremost, this is due to the limited financial resources of the territorial entities of the economy. From Ukrainian banking practice – there are no cooperative banks in Ukraine, although this form is provided by the Law of Ukraine *On Banks and Banking*.

### **Conclusions**

The study of approaches to the interpretation of the concept "agricultural sector" made it possible to formulate the definition of "bank lending to the agricultural sector", which proposed to understand the economic relations that arise between banks and enterprises of the agricultural sector regarding the provision of the latter with priority source of funding on the principles of reciprocity, payment, security, timeliness and targeted use, taking into account specific features of the agricultural sector. It has been revealed that sources of financing of agricultural enterprises may be their own financial resources, centralized financial resources, as well as attracted and borrowed financial resources. The peculiarities of lending to the agricultural sector of the Ukrainian economy include the seasonal nature of agricultural production and the length of the production cycle, the specificity of the pledge, dependence on natural factors, low creditworthiness of the industry, and high need for long-term lending, a large number of subsidiary households.

In 2017 enterprises of the agricultural sector formed 12.1% of Ukraine's GDP and 36.5% of commodity exports, and provided work to 18% of the employed population. However, the study of financial support for agricultural enterprises shows that they provide a significant share of self-financing, but that is not enough to meet all needs. Due to the impossibility of using agricultural land as collateral, as well as the considerable depreciation of the material and technical base of agricultural producers, banks are in no hurry to increase loan portfolios in this direction. Loans provided to enterprises in the agricultural sector, if at all, are higher than for other sectors of the economy.

Basing on the results of the analysis for the purpose of intensification of bank lending to agricultural enterprises it is considered necessary: to develop a regulatory framework for land market regulation; to carry out an individual approach to the formation of collateral; to expand the range of new and non-standard banking credit products for agricultural enterprises; to improve the organizational structure and credit portfolio management system; to create a reliable system for assessing the effectiveness of management of bank loans; to accelerate the spread of the practice of more active provision of long-term loans by banks, which are extremely needed by agricultural enterprises; to extend the practice of providing preferential loans; to develop a mechanism for the functioning of the State Agricultural Bank; to provide state support for the creation of cooperative banks.

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## **INNOVATIVE DETERMINANTS OF DEVELOPMENT OF INDUSTRIAL ENTERPRISES OF KYIV**

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**Abstract.** *The article investigates the development of innovation activity of industrial enterprises in 2014-2016. The correlation of development of this type of activity of domestic enterprises with the advanced countries of the world is determined. The analysis of foreign experience of creation and development of scientific parks was conducted. The obtained result has shown that developed countries pay considerable attention to the functioning of scientific parks, as the results of scientific and technical works contribute to the transformation into new competitive goods and services, the creation of small and medium-sized innovative enterprises. The main problems of the development of scientific parks in Ukraine, based on the imperfection of contractual and legal relations, absence of a clearly defined list of types of activity, imperfection of the norms of the current legislation, were stated. It is proposed to amend certain articles of the Laws of Ukraine "On Science Parks", "On Education", "On Scientific and Scientific and Technical Activities", and their implementation will contribute to the positive functioning of science parks as one of the special forms of innovation activity in Ukraine.*

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**JEL Classification:** D 20; L 50; O 31.

### **Introduction.**

The dominant tendency of the modern sustainable development of industrial enterprises is the introduction of advanced scientific achievements and technological and technological developments. This is evidenced by the tendency of the growth of the number of industrial enterprises in the territory of Kyiv until 2007. However, over the next few years there is a tendency to decrease the indicators. Thus, in particular, in 2016, out of 4421 enterprises of the industrial sector of Ukraine, only 412 enterprises worked in the industry of Kyiv (or 9,3% of the total number of industrial products in Ukraine).

It should be noted that there is a direct link between the size of the enterprise and its level of innovation, since for the introduction of innovations it is necessary to have a certain number of personnel involved in the implementation of research and development, which leads to the introduction of innovations. According to the survey conducted in 2014-2016 in Ukraine, the highest level of innovation activity was observed not only at the enterprises of Rivne, Kharkiv regions, but also in Kyiv. In particular, the innovation activity in 2016 was only 95 enterprises in Kiev or 11,4% to the total number of industrial enterprises in Ukraine, Table. 1

**Table 1. Indicators of innovation in industry of Kyiv from 2014-2016**

Indicators	Years old		
	2014	2015	2016
Number of industrial enterprises in the direction of innovation in Kiev, <i>units</i>			
Total	774	497	412
Including engaged in innovative activities	168	86	95
Of these, they spent money on			
- internal research work	32	26	40
- external research work	5	8	29
- the purchase of machines, equipment and software	91	49	67
- acquisition of existing knowledge from other enterprises or organizations	9	2	11
- other	13	6	53
- training and staff training	36	-	-
- market introduction of innovations	11	-	-
Total expenditure on innovation activities in the industry of Kiev, <i>thousand hryvnias</i>			
Total	1306824,1	2169022,4	2415509,2
Including engaged in innovative activities			
- internal research work	225710,4	888798,4	941144,3
- external research work	69005,0	65703,2	97398,0
- purchase of machines, equipment and software	759380,1	1038716,4	1224124,9
- other external knowledge	1053,8	59294,5	1549,5
- acquisition of existing knowledge from other enterprises or organizations	-	-	-
- other	251674,8	116509,9	151292,5
The number of industrial enterprises in Kiev that introduced innovations, <i>units</i>			
Total	160	78	87
Including			
- introduced innovative processes	49	43	58
- of them low-waste, resource-saving	18	14	24
- of them introduced new or improved methods of processing or producing products	-	-	-
- introduced innovative types of products	74	63	73
- of which are new to the market	25	21	34

*Source:* compiled according to the State Statistical Service of Ukraine and the Main Department of Statistics of Kyiv

Comparing this indicator with the EU countries, it is much higher. For example, the food industry is about 53,0% (from 27,1% in Bulgaria to 79,3% in Germany). This indicates that Ukrainian industry enterprises, in particular, Kyiv have a low level of innovation activity.

## **1. Development of innovation activity of industrial enterprises of Kyiv in 2014-2016.**

According to statistics in 2016, the highest share of non-technology-innovative enterprises in Ukraine is concentrated in Kyiv – 17,8%. Regarding innovative activities of enterprises in the region, a significant proportion of enterprises with technological innovations purchased machinery, equipment and software for the production of new or significantly improved products and services. The other part - is engaged in the introduction of new or substantially improved products or processes, such as feasibility studies, testing, software development for current needs, technical equipment, production organization, etc.

In 2016, almost 50,7% of the total innovation costs of the company were directed to the purchase of machinery, equipment and software, 38,9% - for internal research and 6,3% for the rest. The total amount of financing of innovative activity of industrial enterprises of the city in recent years slightly increased, reaching in 2016 the figure of 2415509,2 thousand hryvnias. The main source of financing innovative costs is the enterprises own funds - UAH 2223031,1 thousand, state budget funds - UAH 148312,3 thousand, other sources - UAH 20538,8 thousand and loans - UAH 20427,0 thousand [1; 2; 3; 4].

In Ukraine, during 2014-2016, a significant share of enterprises (34,4% of the total number of enterprises with technological innovations) located in Kyiv (40,4% of the total number of enterprises with technological innovations) with technological innovations cooperated with other enterprises and organizations (universities and higher education institutions, research institutes, commercial laboratories). In particular, in Ukraine - 37,8%, and in European countries - 9,6%, in other countries - 7,4% (to the total number of enterprises with technological innovations). The most important partners of innovative enterprises for cooperation are, above all, suppliers of equipment, materials, components or software, as well as clients.

In 2016, 87 units (or 11,8% of surveyed industrial enterprises) of innovative industrial enterprises of Kyiv (in 2014 - 160 units) implemented 1931 new technological processes (in 2014 - 342 units), including low-waste, resource-saving make 126 units. (in 2014 - 80 units) [1; 2; 4; 5]. The first indicator of the share of innovative enterprises is much lower than the similar indicator not only for the leading countries for the introduction of technological processes, for example in the food industry, but also in other countries of Eastern Europe, BRIC countries - Germany (69,7%), Austria (53,0%), Turkey (35,3%), Lithuania (26,8%) and Bulgaria (23,8%) [6].

Analyzing the statistics of the State Statistical Service of Ukraine, it should be noted that there is a tendency to decrease the number of items of introduced innovative types of products at industrial enterprises starting from 2014-2016. Thus, in 2016 the indicator was 487 units (in 2014 - 628 units), among them: new for the market - 235 units. (in 2014 - 128 units); machines, equipment, devices, devices - 148 (in 2014 - 141), of which new ones for the market - 109 units (in 2014 - 44 units).

Significantly reduced the number of industrial enterprises that sold industrial products - from 774 units (2014) to 409 units (2016), as well as the number of those enterprises that implemented innovative products - from 88 units (2014) to 75 units (2016). The total volume of industrial products sold in 2014 amounted to 2,0% (in 2015 - 0,4%) to the total volume of industrial products sold or 1748632,9 thousand UAH (in 2015 - UAH 1683322,6 thousand), and 32,3% of the total volume of sales of innovative products was new products for the market (2015 – 40,6%) and 67,7% - products, which was new only for the enterprise (in 2015 – 59,4%). The trend of lowering indicators is associated with a decrease in consumer demand for the population and the demand for industrial products due to the financial and economic crisis. It should be noted that in 2015, 22 enterprises (in 2014 - 26 units) in Kyiv implemented innovation products outside Ukraine from 213 enterprises (in 2014 - 295 units) of Ukraine, which amounted to 8,5% (in 2014 - 12,4%) to the total volume of realized innovative products. Thus, the analysis of statistical data on the development of innovation activity of industrial enterprises shows that, despite positive dynamics, Ukraine and Kyiv significantly lag behind the indicators of developed countries of the world, in particular in the food industry (the minimum are Portugal (26,0%), Greece (29,0%), the highest is Ireland (74,0%), the Netherlands (62,0%). The effective development of industry is possible with an increase in the share of enterprises that innovate (up to 40,0-45,0%), and also through the creation and development of organizational forms of innovation actively those of which an important place occupied by science parks.

## **2. Analysis of foreign and national experience of the functioning of scientific parks**

According to the current legislation of Ukraine (the Law of Ukraine "On Scientific Parks", 2009). Research Park - "legal person created by the initiative of the institution of higher education and/or research institutions by combining contributions from the founders to organize, coordinate, process control development and implementation of scientific park projects" [7]. In addition to the Law of Ukraine "On science parks' creation and development of science parks in Ukraine is governed by the laws of Ukraine "On Higher Education", "On investment activity", "On innovation activity", "On state regulation of activities in technology transfer" and Commercial and Civil Codes of Ukraine, other normative-legal acts [8; 9; 10; 11; 12; 13].

Objective of the science park under the current legislation of Ukraine is "the development of science, technology and innovation in higher education and/or scientific institution, effective and rational use of available scientific potential, material and technical basis for the commercialization of research results and their implementation at national and in overseas markets" [7]. Functions of the Science Park in accordance with applicable law of Ukraine "On Scientific Parks" are in [7]: "the creation of new types of product innovation, the implementation of measures for their commercialization, organization and ensure production of high technology, competitive in domestic and foreign markets



innovative products; informational, methodological, legal and consulting support of founders and partners of scientific park, granting of patent and license assistance; to involve students, graduates, post-graduate students, scientists and employees of higher educational establishments and/or scientific institutions in the development and implementation of scientific park projects; promoting the development and support of small innovative entrepreneurship; organization of training, retraining and professional development of specialists necessary for the development and implementation of scientific park projects; attraction and use of risk (venture capital) in its activity, support of science-intensive production; protection and representation founder and partner Science Park in government and local authorities, as well as relations with other entities in the organization and execution of projects Science Park within the limits set by the constituent documents Science Park; development of international and domestic cooperation in the field of scientific and technical and innovation activity, assistance in attracting foreign investments; performance of other functions not prohibited by the legislation of Ukraine".

There are several models of functioning of scientific parks in the world arena, among which it is customary to distinguish [14; 15]:

- "American" (based on state funding and investment of legal entities, innovations are being developed to the stage of the technical prototype, a small rent for land, facilities, access to laboratory equipment and services). According to this model, the world's most famous scientific parks, established in the United States and Great Britain, operate.

- "Japan" (scientific parks are created by attracting funds from the state, located in large cities, the total area, which is no more than 500 m<sup>2</sup>, scientific and industrial complexes, universities, research institutes are concentrated on the territory of the scientific park; there is developed cultural, recreational and transport infrastructure). This model of scientific parks is functioning in Japan (mm. Kagoshima, Tokyo, Ube, Hiroshima, Tsukuba).

- "Mixed" (combines the peculiarities of the development of scientific parks in the "American" and "Japanese" models). Features of the operation of this model can be traced in France.

The process of forming scientific parks is characterized by the manifestation of two phases [16]: the institutional - the economic (building hotels, enterprises, shops and restaurants, banks) and research infrastructure; entrepreneurial - begins several years after the institutional phase. The last phase is distinguished by the economic growth of the functioning of the science park (new jobs are created, business incubators and small innovation companies are emerging, and the functioning of advisory and service organizations is observed). As evidenced by world experience, there are several sources of funding for the functioning of the scientific park, among which are: the funds of the statutory and other sources of the scientific park; financial income from the activities of the scientific park; investments provided to the science park; Charitable contributions for the development of the scientific park and ensuring the implementation of projects of the scientific park; funds of state and local budgets; funds of customers; other proceeds not prohibited by the laws of any country.

The most interesting source of financing for the creation and development of science parks on the world scene for Ukraine at the expense of state and local budgets is the experience of Great Britain (62,0%), Germany (78,0%), France (74,0%), the Netherlands (about 70,0%) and Belgium (about 100,0%) [17].

As a result of the analysis of foreign experience in the creation and development of scientific parks, the result suggests that developed countries devote considerable attention to the functioning of scientific parks due to the fact that their activities contribute to transforming the results of scientific and technical works into new competitive goods and services, training highly qualified specialists for innovation, creation of small and medium-sized innovative enterprises, reduction of the innovation cycle from idea to product, etc. Positive experience of functioning of scientific parks can be used for their development in Ukraine taking into account national peculiarities and interests.

### **3. Problems of development of scientific parks in Kiev.**

Currently, 19 science parks are registered in Ukraine, of which 7 are located within Kyiv. The main characteristics of the Kiev scientific parks are shown in Table 2.

The current situation in the field of functioning of scientific parks as special forms of innovation activity in Ukraine is characterized by the presence of problems requiring urgent decision-making. In particular, the most significant of them are: imperfection of the contractual-legal relations in relation to the regulation of issues of use of land plots of state and communal property, on which science parks can be created (in terms of the use of exclusively land lease agreements); lack of a clearly defined list of activities that should be implemented within the scientific park; imperfection of the norms of the current legislation, in particular, with regard to determining the optimal forms of stimulating the attraction of investments necessary for the construction of scientific parks through the exemption from payment of import duties on equipment, equipment and components for them, etc.

The above problems require an urgent solution. In particular, it concerns issues: improvement of the current legislation and introduction of such measures of state support for the development of scientific parks as: staffing (increasing the number of trained managers in the scientific and technological sphere; preparing for the order; scientific parks of highly specialized specialists, advanced training in the field of production of high-tech products and high technologies, etc.); providing state financial support for the development of scientific parks and updating the material and technical base; development of an effective mechanism for interaction of science and business authorities, including through the system of e-government and the creation of online services; internationalization of national science parks and their inclusion in global innovation networks by attracting foreign direct investment, technology transfer and development of cooperation with foreign scientific parks; research on the prospects for the development of scientific parks, the development of programs and systems for evaluating the results of their functioning, etc.

As regards institutional and legal support, the Verkhovna Rada of Ukraine adopted the Framework Law of Ukraine "On Science Parks" No. 1563-VI of June 25, 2009, which defines the legal, organizational and economic foundations for the establishment and functioning of scientific parks in Ukraine. The law provides for a state order for the supply of scientific parks of products, works and services for the provision of priority state needs; attraction of funds from the state and local budgets, etc. The mechanisms of state support in the period of prolonged economic recession, lack of state resources for the functioning of scientific parks are of a purely declarative nature. However, the introduction of amendments to the Law and their implementation will promote the positive development of scientific parks as one of the special forms of innovation activity in Ukraine.

**Table 2. The main characteristics of the functioning of scientific parks in Kiev**

№/ №	The name of the scientific park	Founder	Agent	Location of the scientific park
1.	Corporation "Science park" Kyiv Taras Shevchenko University"	KNU them Taras Shevchenko, National University of Food Technologies, Institute of Biochemistry them. Palladin, Institute of Organic Chemistry, Institute of Problems of Materials Science named after I.M. Frantsevich	Chernyuk V.I.	Kiev
2.	Corporation "Science Park" Kyiv Polytechnic"	State Enterprise of State Enterprise "National Center for the Implementation of Sector Investment Programs", University "KPI"	Kamaev V.S.	Kiev
3.	Science Park "National University of Bioresources and Nature Management" Natural Resources and Quality of Life"	State Enterprise "Training and Research Tribal Fruit of the Frunze National University of Bioresources and Natural Resources of Ukraine", National University of Life and Environmental Sciences of Ukraine	Teslyuk V.V.	Kiev
4.	Limited Liability Company Scientific Park "Center for Transfer of Civil Defense Technologies	All-Ukrainian public organization "Innovation Chamber of Ukraine", Ukrainian Research Institute of Civil Protection, "Semi Logistic" Limited Liability Company, State Enterprise "Ukrainian Research and Design Institute for Building Materials and Products" NDIBMV "	Nikulin O.F.	Kiev
5.	Limited Liability Company "Science park of Kyiv National Economic University"	Kyiv National Economic University named after Vadim Hetman	Matviychuk A.V.	Kiev
6.	Limited Liability Company "Scientific Park "Aerospace Innovation Technologies"	SE "Dniprococosmos", Public joint stock company "ELMIZ" LLC, State Enterprise "Plant 410 CA", Limited Liability Company "Scientific and Technical Production Center", National Aviation University	Dobrovolsky S.V.	Kiev
7.	Limited Liability Company "Scientific Park of the State Ecological Academy of Postgraduate Education and Management" CHORNOBYL"	Limited Liability Company "Ukrainian Center for Radiation Safety", State Establishment "State Ecological Academy of Postgraduate Education Management", Final Beneficiary Owner (Controller) Bondar O.I. and Chtabanenko V.T.	Ivashchenko T.G.	Kiev
8.	Corporation "Scientific Park of Mykolaiv National Agrarian University" Agrorespect "	Nikolaev National Agrarian University	Shebanin V.S., Novikov O.E.	Mykolayiv
9.	Science park "FED"	Public Joint Stock Company "FED"	Popov O.V.	Kharkiv

10.	Science Park "Rideo Electronics and Informatics"	Kharkiv National University of Radioelectronics, Scientific and Technical Center of the Academy of Sciences of Applied Radio Electronics	Popov O.V.	Kharkiv
11.	Scientific park "Innovation and investment cluster of Ternopil"	Plant of gas equipment "Alfa-Gazpromkomplekt", TNTU named after Ivan Puluj, Integral LLP, Operation management of the property complex of the Ternopil Regional Council	Khimych G.P.	Ternopil
12.	Scientific park "Naukograd-Kharkiv"	"Institute of Mechanical Engineering named after A.M. Podgorny National Academy of Sciences of Ukraine", "Scientific and Technical Concern "IPMash NAS of Ukraine", "Academic Scientific-Educational Complex"Resurs"	Matsevit Yu.M.	Kharkiv
13.	Limited Liability Company Scientific Park "Energy Efficient Technologies"	Poltava National Technical University named after Yuri Kondratyuk, Ivano-Frankivsk National Technical University of Oil and Gas, State Higher Educational Institution "National Mining University", Khmelnytsky National University.	-	Poltava
14.	Science Park, Limited Liability Company "Preventive Medicine and Labor Protection - Newest Systems and Technologies"	LLC "ALTEK-M", Private Enterprise "MATRICE-TELECOM", Private Enterprise "Scientific-Production Enterprise" KARE", Limited Liability Company "Scientific-Production Enterprise "LIDOMED-BIO", LLC "Scientific-industrial complex "KURS", State Enterprise "Odessa Research Institute of Television Technology", State Scientific Center "National Research Institute of Industrial Safety and Occupational Safety", State Enterprise "Ukrainian Research Institute of Transport Medicine of the Ministry of Health of Ukraine aini"	Prokhorov V.A.	Odessa
15.	LLC "Scientific Park Biometric Innovation Technology Cluster Bitek"	-	-	Kharkiv
16.	Limited Liability Company "Scientific Park of Odessa Polytechnic University"	Odessa National Polytechnic University, Enterprise with Foreign Investments in the form of a limited liability company "Avers", Charitable Organization "Foundation" Science and Education XXI"	Kozlov I.L.	Odessa
17.	Limited Liability Company Scientific Park "Priкарпатський University"	State Pedagogical University "Vasyl Stefanyk Precarpathian National University"	Bubna R.M.	Ivano-Frankivsk
18.	LLC "Scientific Park of the National Technical University "Kharkiv Polytechnic Institute"	Limited Liability Company "AC SPIDROJURITY-T", Public Joint Stock Company "Plant PIVDENKABEL", National Technical University "Kharkiv Polytechnic University"	Mostovy S.P.	Kharkiv
19.	"DonNU-Podolia" Scientific Park, Limited Liability Company	NGO "Institute for the Socialization of Innovations", "Podillya Agency for Regional Development", Donetsk National University	Klymenko Yu.M.	Vinnytsia

*Source:* written by the authors [6; 14-15]

By supporting legislative initiatives aimed at increasing the efficiency of domestic science and creating civilized mechanisms for using scientific results to meet economic and social needs, we draw attention to certain shortcomings that are present in this bill, in particular, in the Law of Ukraine "On Science Parks" No. 1563- VI of June 25, 2009:

1. We consider it expedient to make an addition to Article 1. Definition of the terms of Section I General provisions, in particular, to introduce such concepts as: "customers of products of the scientific park - institutions, organizations, enterprises, domestic and foreign companies of any form of ownership who order and pay performance of development or services in accordance with the project of a scientific park; a transnational science park is a science park that is created and operates on the basis of an international agreement of Ukraine concluded between the governments of countries or authorized founders of its creation. The procedure for the creation and development of a transnational scientific park is regulated by international treaties of Ukraine.

2. We also consider it expedient to amend article 2. Legislation on the scientific park of Section I General provisions, in particular in the existing part, add the number of paragraph 1. which in the edited form reads as follows: "Science park is created and acts in accordance with ..." to add "the Constitution of Ukraine (254k/96-VR) "and then continue" ... Economic (436-15) and Civil (435-15) codes of Ukraine, the laws of Ukraine "On Higher Education" (2984-14), "On Investment Activity" (1560- 12), "On Scientific and Scientific-Technical Activity" (1977-12), "On Innovation Activity" (40-15), "On State regulation of activities in the field of technology transfer "(143-16), other normative legal acts regulating relations in the scientific, technical and innovation spheres, taking into account the specifics envisaged by this Law".

3. In Article 2. Legislation on a science park in Section I General provisions add "2. If the international agreement of Ukraine, the consent to which the Verkhovna Rada of Ukraine has made binding, establishes rules other than those provided for by this Law, the rules of the international treaty of Ukraine shall apply".

4. In Section II, the Organizational Principles for the Establishment and Activities of a Scientific Park are proposed to be included in: Article 14. List of Documents for the Inclusion of Science Park in the Register of Science Parks of Ukraine, note the following:

1. The inclusion of the scientific park in the Register of scientific parks of Ukraine requires that the founder of the scientific park submit to the authorized state body the following documents: 1) a statement on the inclusion of the scientific park in the Register of scientific parks of Ukraine; 2) the founder's decision to create a scientific park; 3) the concept of the development of a scientific park; 4) the names of the partners of the scientific park (if any).

Article 15. The decision to include a scientific park in the Register of scientific parks of Ukraine - shall contain:

1. Consideration of the submitted application by the founder of the scientific park and documents attached thereto shall be carried out by the authorized state body within 30 calendar days from the date of their receipt. The authorized state body decides to include or motivated a refusal to include a scientific park in the Register of scientific parks on the results of examination of documents.

2. The decision to include the scientific park in the Register of scientific parks of Ukraine shall be based on the following criteria: 1) availability of labor resources necessary for the functioning of the scientific park in accordance with the concept of development; 2)

the presence and / or the possibility of attracting financial, material and technical resources and other resources necessary for its development in accordance with the concept by the founder of the scientific park; 3) support of the scientific park by local self-government bodies and local authorities; 4) the existence of signed memoranda of intent and / or agreements with partners of the scientific park.

3. The decision to include a scientific park in the Register of scientific parks of Ukraine shall state: 1) the name of the scientific park; 2) the founder of the scientific park; 3) the term for which the scientific park was created; 4) the location of the area where the scientific park was created.

4. The authorized state body is obliged within three working days from the date of the decision to include the scientific park in the Register of scientific parks of Ukraine in writing to inform the central executive body, which implements the state tax policy and policy in the field of state customs business, and relevant local state administrations about the founder, the partners of the scientific park.

Article 16. Concept of the functioning of the scientific park. 1. The founder of the scientific park shall develop and approve the concept of development, which shall indicate: 1) the name of the scientific park; 2) the founder of the scientific park; 3) purpose, task of creation and functional assignment of the scientific park; 4) location and area; 5) the term for which the scientific park is created; 6) requirements to the partners of the scientific park; 7) a plan for the development of the scientific park; 8) indicative resources (financial, material, technical, labor, natural, etc.) necessary for the creation and development of the scientific park, the expected sources of their attraction; 9) expected results of the functioning of the scientific park; 10) other information at the discretion of the founder of the scientific park; 11) organizational model of the functioning of the scientific park; 12. The concept of the functioning of the scientific park is approved by the founder of the relevant park, by making a decision".

5. Needs to be supplemented Article 4. Functions of the scientific park by the item "2. The functional purpose of the scientific park is determined by the Concept of the relevant scientific park", since the main functions of the scientific park in the Law are vague.

6. Also requires amendment of Article 5. Constituent documents of Section II Organizational fundamentals of the creation and operation of a scientific park - paragraph 2 should be replaced by the paragraph "4. The essential conditions of the agreement on the creation of the scientific park are: the subject of the contract, the term of the agreement, the procedure and conditions for the implementation of scientific activities within the scientific park, the procedure and conditions for attracting partners of the scientific park, the legal regime of property created by the founder of the scientific park, which is the property of the founder; the composition and procedure for reporting to the authorized state body; the procedure for the entry into force of this agreement from the day of its signing". "The integral parts of the agreement on the creation and operation of a scientific park are: the decision to create a science park; the concept of a science park; business plan of a science park".

7. Article 6. Restrictions on the activities of the scientific park include a list of activities that are not permitted to be carried out within the framework of the direct activity of the scientific park, in particular, "trade and intermediary activities, provision of household services, production and processing of excisable goods and other non-scientific purposes the park ". Thus, it can be noted that the list of activities specified in the Law is not exhaustive and permits the carrying out of activities that are not inherent in scientific parks, in particular construction. Therefore, we consider it appropriate to change not only the title of the article, but also to provide an exhaustive list of those activities, the implementation of which is allowed for scientific parks.

8. In our opinion, it is necessary to introduce a new paragraph. Article 7. Creation of a scientific park in regard to the fact that scientific parks, should ensure the disclosure of information about their activities, determined by the current legislation, in addition to information with restricted access. Also, the society should be informed about their creation and activity. Therefore, we propose to introduce clause 6. in the following interpretation: "Information about created scientific parks is public, accessible by the authorized state body, by placing it on its official website. In order to provide state support, provided by law, the authorized state body shall create, maintain and place on the official website of the Register of Science Parks of Ukraine. To it scientific parks are included with the consent of the founder of the scientific park. Intellectual property rights on the Register of Science Park of Ukraine (databases) belong to the state represented by the authorized state body. The state, state authorities and their officials use the Register of Scientific Parks of Ukraine (database) on a royalty-free basis. The property rights to computer programs and databases for maintaining the Register of Science Parks of Ukraine are subject to the requirements of Article 18. Financial and other provision of administrative services provided by the Law of Ukraine "On Administrative Services" (5203-17). State support is provided to the founders of the scientific park, partners of the scientific park, included in the Register of scientific parks of Ukraine."

9. A further clarification is required paragraph 4. "As a result of the competition, the executive body of the management of the scientific park shall make a decision on the implementation of the project of the scientific park and shall conclude a partnership agreement". Article 14. Development and adoption of projects of the scientific park of Section III. Features of designing and implementing projects of scientific park. Does the contract all be concluded (interpretation can be considered in two ways) and, according to what criteria, the writing and selection of projects by the management body of the scientific park takes place. We believe that the law should set clear criteria.

10. In our opinion, in our opinion, there is a need for further clarification of the provisions of Article 17. Property rights for technology and objects of intellectual property Section IV State support for the activity of scientific parks in the possibilities of the central executive body .. on the restriction of property rights "for use and the disposal of technologies and intellectual property rights created with the involvement of public funds, provided that the technology and / or object of intellectual property rights: .. . recognized as such to be used in the public interest "and others.

11. To supplement Article 19. Features of taxation of import duties of scientific, laboratory and research equipment, components and materials for the implementation of projects of scientific parks, paragraph 2 of the following: "Business entities exempted from import duties of scientific, laboratory and research equipment, components and materials for the implementation of projects of scientific parks in connection with the conduct of activities in accordance with this Law, are obliged to publish information quarterly on its own site, official the printed local self-government body regarding the received tax privileges and the exemption from the introduction of the tax, their amount and directions for the use of these funds".

12. Paragraph 7. Funding sources for science park Article 21. Property relations and financing of the scientific park of Section V The economic principles of the activity of the scientific park are a list of sources of financing which, apart from the isolated ones, should be broader and contain articles such as "financial proceeds from partners, customers of the scientific park and other legal entities; funds of private investors, including those involved in the model of public-private partnership; attracted funds, including loans from banks and other financial and credit institutions."

The Law of Ukraine "On Education" (2145-19) "Article 81. Public-Private Partnership in the Sphere of Education and Science, item 3. Public-private partnership in the field of education and science may include: the creation and / or co-financing and operation ..." [10] add "science parks and other forms of innovation enterprises" and then extend the existing text "(innovation center, technopark, technopolis, innovative business incubator, etc.) on the basis of existing educational institutions" and add new text "and science". The Law of Ukraine "On Scientific and Scientific-Technical Activity" (848-19) to Article 60. Participation of state scientific institutions, state higher educational establishments in the establishment of economic partnerships for the purpose of using objects of intellectual property right of item 1. "State scientific institutions (except state scientific institutions of the defense industrial complex), state universities, academies, institutes, ... "it is necessary to add" ... as well as scientific parks and other forms of innovative enterprises created by them in accordance with the Law ", continuing the maintenance of the text in the law "have the right to be founders and co-founders of economic partnerships and participate in the formation of the authorized capital of such an economic partnership solely by bringing it into property rights of intellectual property, exclusive property rights that are kept by a state scientific institution or state university, academy, institute".

### **Conclusions.**

Taking into account the foregoing, it should be mentioned that the main problems of the development of innovation activity of industrial enterprises located in Kyiv include the imperfection of normative-legal provision in terms of determining the legal, economic and organizational foundations of state regulation of the development of innovative processes; the imperfection of the system of activity of financial and credit institutions of banking and non-banking sector, which are connected with support of innovative activity of enterprises; the lack of an effective network of institutes for support and regulation of innovation activity, etc.



This requires an immediate solution to the issues, the priority of which should be: the creation of an effective mechanism for the implementation of scientific, technical and innovation policy; the formation of an effective mechanism for long-term lending to the real sector of the economy on an innovative basis, in particular by creating a special state-owned lending institution that could work through commercial banks and would have the right to directly lend innovative active industrial enterprises of the processing industry through the implementation of innovative projects in priority economic activities; intensive development of new forms of organization of economic activity (clusters, industrial parks, science parks, technology parks, venture business), etc. The implementation of the proposed measures will allow not only to develop innovative active industrial enterprises, but also to preserve scientific parks in Ukraine. This will contribute to their productive development, taking into account modern innovation challenges.

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**EVALUATION OF AN ENTERPRISE COMPETITIVENESS  
ON THE CONSULTING SERVICES MARKET**

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***Abstract.** The paper actualizes the issues of assessing the competitiveness of modern enterprises. The essence of the concept of “enterprise competitiveness” is illuminated and its author's interpretation is reflected. Core methods for assessing the competitiveness of the enterprise are described and their main advantages and disadvantages are highlighted. The modern consulting services market is examined. The competitiveness level of ERNST & YOUNG Ukraine and its competitors on consulting services market are comprehensively assessed using TOPSIS, COPRAS methods and benchmarking tools. Some practical recommendations to increase the competitiveness level of the studied enterprise are given.*

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**JEL Classification: C13, M31**

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**Introduction.**

There is an urgent problem of ensuring modern companies competitiveness under dynamic development of Ukraine's market and its integration into the global economic environment. Any company seeks to maximize its capabilities in order to remain in the target market for a long time and get a stable profit. This can be achieved only by continuously market monitoring, market share analysis and assessment, diagnosing of strengths (core competencies) and weaknesses, benchmarking and flexibility and adaptability to a target markets changes. Consequently, there is an objective need to manage an enterprise competitiveness for maintaining its stable positions in the target highly competitive external and internal markets.

The assessment of the competitiveness of an enterprise is an important element in ensuring its effective functioning and the formation of sustainable core competencies and competitive advantages in the future, it also makes it possible to identify and mobilize hidden opportunities to gain advantageous market positions.

A company competitiveness evaluation issues is quite a popular topic among domestic and foreign scientific researchers: V. Bazylevych, V. Dykan, V. Balan, O. Savchuk, L. Balabanova, Z. Varnalii, H. Voronin, I. Dolzhanskyi, O. Zhylynska, A. Kurno, J.-J. Lamben, I. Ansoff, M. Porter and others. The researches of such scientists as I. Herchykova, U. Zinnurov, I. Zulkarnaiev, L. Iliasova, R. Fatkhutdinov, O. Yankovyi and others are devoted to the study of quantitative assessment methods and analysis of enterprise competitiveness. In their works, the features of the functioning of enterprises under tough competition are considered, also the assessment and ways of improving enterprises competitiveness in various fields of activity are investigated. However, many aspects of enterprise competitiveness evaluation remain insufficiently studied. Thus, the problematics of the methodology and methodological tools for an enterprise competitiveness assessing is actualized, which determines the direction of the presented research.

### **1. An enterprise competitiveness evaluation: theoretical consideration**

Competition is one of the main indicators expressing the essence of market relations. It is the driving force behind the enterprise development, better meeting the needs of the consumers, and improving products and services quality. Note that the essence of the concept of "competitiveness" is interpreted by different scientists in different ways (tab. 1).

Thus, competitiveness is:

- 1) the level of enterprise competence relative to competitors in the accumulation and usage of potential, which can be expressed in quality level, profitability and productivity;
- 2) the possibility of carrying out efficient business activities and profitable sales in a competitive market in various business fields;
- 3) the property of the business unit in market environment, that reflects its ability to form competitive advantages and maintain core competencies by increasing and improving internal potentials in a particular competitive market for a certain period of time.

Enterprises competitiveness is a multi-dimensional and relative notion without a universally approved definition. It is most commonly understood as the ability for rivalry against other market players. A competitive enterprise is capable of flexible and beneficial adaptation to changing operational conditions and identifying competitors and evaluating their strategies to determine their strengths and weaknesses relative to those of its own products or services. It is practically significant to establish a suitable model and make a reasonable effective evaluation for enterprise competitiveness, which can not only comprehensively analyze the competition level of enterprises, but also provide a basis for subsequent planning decisions.

**Table 1. The essence of the concept “competitiveness” \***

<b>Author</b>	<b>Definition and/or interpretation</b>
M. Porter	Distinguishes competitiveness from a firm's point of view and competitiveness from a nation's point of view. For the company, competitiveness is the ability to provide products and services as or more effectively and efficiently than the relevant competitors in target market. Its measure or score card of competitiveness is market share and profitability. For the nation's true metric of competitiveness is the productivity of the resources utilized in the location and the ability of the nation's citizens to achieve a high and rising standard of living.
O. Savchuk	Ability in the process of competition to achieve the better (than competitors) results in various fields of activity and/or target markets.
V. Niemtsov and L. Dovhan	Comprehensive comparative characteristic, reflecting the degree of advantage of the enterprise's performance indicators, which determine its success in the market for a certain period of time, in relation to the competitors' performance indicators.
S. Yaroshenko	The ability to act under market environment, make a profit sufficient for scientific and technical product and services improvement, stimulate workers and maintain product quality at a high level.
H. Voronin	A multifaceted concept that includes quality and price parameters of products and services, and depends on the level of general management, financial, investment, innovation, personnel and other components of a company's activities.
S. Aleksieiev	An economic category that provides opportunity in a competitive environment present to consumers on the target (domestic and external) markets products that are perceived by them as better than those of competitors, and allows the company to earn a planned income, implement competitive strategies and ensure survival by keeping a market share in the long term.
Interdisciplinary dictionary	The level of enterprise competence relative to other competing enterprises in the accumulation and usage of certain potential (production, commercial, marketing, innovation, personnel etc), as well as its individual components: technology, knowledge, management, resources etc, which finds expression in such result indicators as products and services quality, profitability, productivity etc.
B. Karloff	The ability to provide a better market position than a competing organization.
I. Spyrydonov	Represents the ability of an enterprise to carry out a profitable economic activity in a competitive market environment, which is provided by the skillful use of organizational, managerial, scientific, technical, economic, industrial, marketing and other means and tools of conducting effective economic activity

\* *Developed by authors on [1; 4; 5; 6; 14, 15; 17].*

Scholars have carried out some relevant researches on enterprise competitiveness evaluation. Most of them focused on the general enterprise competitiveness measuring, few studied specific sub-sectors or sub-regions enterprise competitiveness evaluating [19]. The evaluation models, gray correlation analysis method, analytic hierarchy process and the fuzzy comprehensive evaluation method are presented in the practical publications. But it is still lacks of an easy-calculated, reliable and quantitative model to evaluate the enterprise competitiveness and then make a reasonable decision.

An enterprise competitiveness evaluation – involves determining the relative level of its ability to compete in a particular market and respond quickly and adapt to changes in the external and internal environment.

There is a wide variety of approaches to a company competitiveness assessment, which makes it necessary to systematize and generalize them in order to identify strengths and weaknesses, as well as to determine the most effective methodology.

The analysis of enterprise competitiveness methods gives grounds for their division into two main groups: analytical and graphical. It is worth noting that these methods are only advisory in nature, because there are still no uniform methodologies for enterprise competitiveness evaluation in Ukraine, which is one of the reasons for the low level of competitiveness management.

Analytical methods for enterprise competitiveness evaluation include: rating assessment, market share assessment, customer value assessment, competition methods assessment. These methods are based on the implementation of settlement and analytical operations with input data; at the same time, depending on the specific method of analysis, the application of these methods may include both simple arithmetic operations and complex calculations.

Rating company competitiveness assessment models are based on: 1) determining an evaluation indicators (index) system for assessing the results of an enterprise economic activity; 2) standardization (reduction to a comparative scale); 3) the calculation of a single integral indicator – rating assessment of an enterprise; 4) ranking of an enterprise by its rating, determination of its place (status) within a certain field of activity or market. The most significant drawback of enterprise competitiveness rating systems is the excessive use of expert methods, which leads to the subjectivity of the final assessment result.

The method of company competitiveness assessment based on the calculation of the market share assumes that there is a strong correlation between market share and profitability. This method involves classifying enterprises according to their market position as outsiders, mid-markets, leaders or so-called “gray mice”, “elephants” or “hippopotamuses” [1; p. 124]. On the basis of such classification, a strategic competitive map is constructed, an enterprise competitive positions are determined and a general conclusion about enterprise competitive behavior in target markets is made.

The model for enterprise competitiveness estimation based on the consumer value measures the volume of potential consumers needs and compares this needs with the real properties of a particular proposed product. This model involves detailed market segmentation by different features and calculation of generalized competitiveness indicator [11; p. 147]. The main drawback of this model is an expert approach that influences the objectivity of the general conclusions.

Graphic models for company competitiveness evaluation use the construction of matrices and their division into quadrants (fields) to determine the competitive status (position) of the enterprise in target markets.

A competitive matrix is an analysis tool that helps to establish company's core competences and competitive advantages. It provides an easy-to-read portrait of an enterprise competitive landscape and its position in the marketplace based on analysis of certain aspects (components, parameters, characteristics, indicators) of its competitiveness.

The Matrix analysis of competitiveness includes such methods as: Boston Consulting Group (BCG) Matrix, Porter's Generic Strategies Matrix, GE McKinsey Matrix, Shell Directional Policy (Shell/DPM) Matrix, the Schendel and Hofer Model, the Arthur D. Little Strategic Condition (ADL) Matrix, Ansoff's Growth Matrix, a Competitiveness Polygon. These matrices designate the most competitive company as the one that operates in the fast-growing market and occupies the largest market share in it.

The main advantages of matrix methods using are: ease of use and visibility of comparison of the competitors results in the target market. The disadvantages include: partial competitiveness assessment only on two criteria; mandatory access to relevant external marketing information; the lack of causal analysis, which makes it difficult to make long-term managerial decisions [17; p. 241]. Thus, these methods do not allow to determine the integral level of enterprise competitiveness and to formulate directions for its core competitive advantages formation and strengthening.

Among the most fundamental methods for enterprise competitiveness assessment, domestic scholars distinguish complex methodologies that focus on holistic analysis of the entire spectrum of the most important parameters (indicators) of an enterprise competitiveness [3, 4, 9; 20].

An integrated approach to a company competitiveness assessment provides an opportunity to analyze the influence of individual factors that ensure an enterprise competitive behavior and position (competitor status) in the target market, as well as to evaluate the possible consequences of their changes in the future.

Based on the above, synergy gains an important role in the analysis of competitiveness. Here synergy means a specific type of relation between competitiveness factors, which results that final competitive effect is better than the sum of the effects of each factor influencing on company results separately and thus independently of one another. Synergistic effects can be achieved by integrating two or more competitive factors, so that both of them bring more result than without integration.

Meaning of synergy implies multiple benefits through skilful combination of all competition components. In modern organizational theory, synergy means much more than "working together". Synergy is actually a systemic principle that explains how a team's collective performance is unpredictable based solely on its member's individual performances [19].

Today one of the most common methods of competitive analysis is a benchmarking. The Whetstone Benchmark, introduced in 1972, was the first general purpose benchmark that measured computer performance. Nowadays it is a business concept that measures the quality of an organization's policies, products, programs, strategies etc and compares them with standard measurements, or similar measurements of its peers or/and competitors; it is the practice of comparing business processes and performance metrics to industry bests and best practices from other companies. The main objectives of benchmarking are: (1) to determine what and where improvements are called for, (2) to analyze how other organizations achieve their high performance levels, and (3) to use this information to improve own performance. The core advantages of benchmarking for an enterprise are the follows: gain an independent perspective about how well enterprise perform compared to other companies; monitor company performance and manage change; compare performance between product lines or/and business units in a company; develop a standardized set of processes and metrics, set performance expectations; improve employee understanding of cost structures and internal processes; hold people more responsible for their performance; encourage team-building and cooperation in the interests of becoming more competitive; enable a mindset and culture of continuous improvement; drill down into performance gaps to identify areas for improvement company-wide; better understand what makes a company successful.

Popular methods of integrated enterprise competitiveness assessment used to justify management decisions are methods of multi-criteria analysis. The Complex Proportional Assessment (COPRAS) is a compromising method, that determines direct and proportional dependences of the significance and utility degree of the available alternatives under the presence of mutually conflicting criteria. It takes into account the performance of the alternatives with respect to different criteria and also the corresponding criteria weights.

One of the powerful methods of multi-criteria analysis is The Technique for Order of Preference by Similarity to Ideal Solution (TOPSIS). It is a method of compensatory aggregation that compares a set of alternatives by identifying weights for each criterion, normalising scores for each criterion and calculating the geometric distance between each alternative and the ideal alternative, which is the best score in each criterion.

The main advantages of this method are the following:

- simple, rational, comprehensible concept;
- intuitive and clear logic that represent the rationale of human choice;
- ease of computation and good computational efficiency;
- a scalar value that accounts for both the best and worst alternatives ability;
- to measure the relative performance for each alternative in a simple mathematical form;
- possibility for visualization.

The main disadvantage of this method is the subjectivity of the choice of the ideal or the best point (score) by all criteria.

## 2. A company competitiveness evaluation: data and methodology

Almost all over the world multinational audit and consulting companies are working alongside domestic firms. The most famous consulting companies in the world such as Deloitte & Touche Tohmatsu International, Price waterhouse Coopers (PwC), Ernst & Young, KPMG, McKinsey & Company, Booz-Allen & Hamilton. 75% of the global consulting services market is occupied by the “Big 4”, which is represented by major international players: Ernst & Young, Price waterhouse Coopers, Deloitte, KPMG [9].

Ernst & Young in Ukraine (EYU) is a private limited company that refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients [13].

People Advisory services EYU offers a “total picture” perspective, integrating global mobility, workplace effectiveness (Employee Performance Management, HR and payroll risk, HR and payroll transformation, HR Audits) and talent and reward (Remuneration, Short-term Incentive Plans, Long-term Incentive Plans, HR transactions, Compensation and Benefits Surveys, Trainings and Seminars) [13]. To carry out a comprehensive competitiveness analysis of EYU, we propose to combine the concept of benchmarking with multi-criteria (COPRAS) and graphical methods of evaluation (the Competitiveness polygon). EYU competitiveness analysis will be conducted on the example of the remuneration reviews services market. The main competitors of EYU in target market segment are: Mercer, HayGroup, Tower Watson. To evaluate the enterprises competitiveness in the target specialized market, the following competitive factors were selected: Service prices, The range of services, Company image, Marketing communication effectiveness, Lead time, Number of clients, Services quality, Market share (tab. 2). The remaining factors were evaluated using expert methods.

**Table 2. Competitive factors score\***

Competitiveness indicator	Ernst&Young	HayGroup	Mercer	Tower Watson
Number of clients, persons	~200	~500	~200	
Service prices (Industry review)	900\$		2910\$	1500-2250\$

\* Developed by authors on [13]

The next stage of evaluation was the scoring of each competitive factor for all the companies. The results of this phase are presented in Tab. 3.

**Table 3. The expert points of the enterprises competitiveness\***

Competitiveness indicator	Score			
	Ernst&Young	HayGroup	Mercer	Tower Watson
Service prices	5	4	2	5
The range of services	4	4	4	3
Company image	5	4	4	4
Marketing comm. effectiveness	3	4	3	1
Lead time	3	4	3	4
Number of clients	4	4	4	3
Services quality	5	4	4	3
Market share	2	5	4	4

\* Developed by authors on [13]



The strengths (competitive advantage) of EYU company in comparison with competitors include: Service prices, Company image, Services quality. At the same time, such competitive factors as Lead time, Marketing communication effectiveness, Market share are significantly inferior to those of other companies.

Since each of the factors (competitiveness indicators) has a different effect on the overall rate of PCB, it is advisable to assign weight factors and adjust the score for each of the competitive factors (tab. 4).

**Table 4. Competitiveness Indicators' Weights \***

Company	Service prices	The range of services	Company image	Marketing communications effectiveness	Lead time	Number of clients	Services quality	Market share
Weigh	0.18	0.12	0.12	0.05	0.09	0.13	0.22	0.09

\* *Developed by authors on [13]*

According to expert estimates, the factors of Service prices and Service quality were the most important. Taking into account weights, Table 5 presents a score assessment of studied enterprises competitiveness factors. For the convenience of results graphic representation, we multiply the score of each factor by 10 and calculate the overall result.

**Table 5. Competitiveness scoring results\***

Competitiveness indicator	Score			
	Ernst&Young	HayGroup	Mercer	Tower Watson
Price	0.9	0.72	0.36	0.9
The range of services	0.48	0.48	0.48	0.36
Company image	0.6	0.48	0.48	0.48
Marketing comm. effectiveness	0.15	0.2	0.15	0.05
Lead time	0.27	0.36	0.27	0.36
Number of clients	0.52	0.65	0.52	0.39
Services quality	1.1	0.88	0.88	0.66
Market share	0.18	0.45	0.36	0.36

\* *Developed by authors on [13]*

Table 6 presents reference values for each enterprises competitiveness factor.

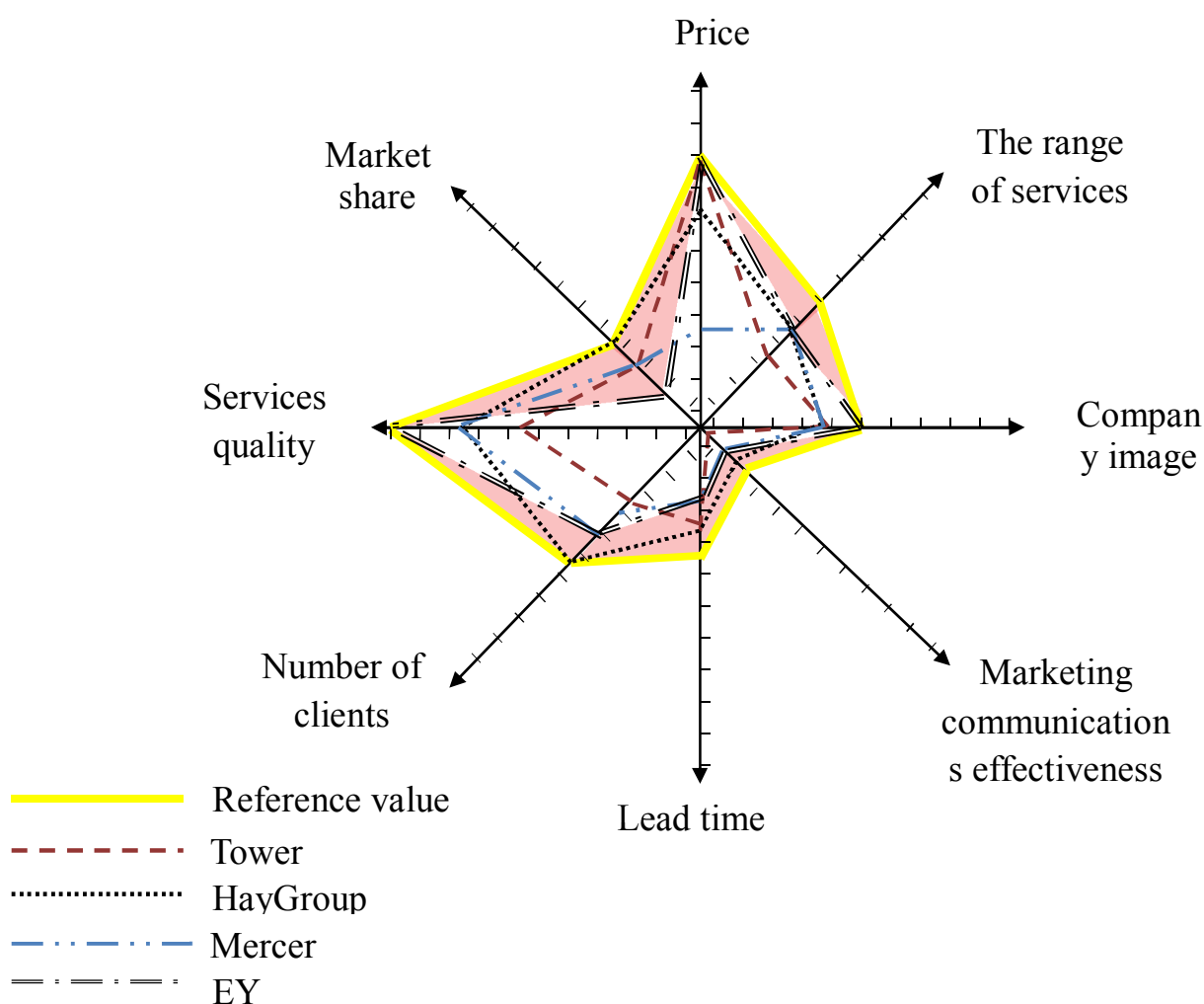
The maximum total score, the company could get is 50 points. According to the above contents, Fig. 1 shows a graphical representation of the benchmarking results for the consulting companies in the studied market.

**Table 6. The Competitiveness score based on weight and reference value\***

Competitiveness indicator	Score				
	Ernst&Young	HayGroup	Mercer	Tower Watson	Reference value
Price	9	7.2	3.6	9	9
The range of services	4.8	4.8	4.8	3.6	6
Company image	6	4.8	4.8	4.8	6
Marketing comm. effectiveness	1.5	2	1.5	0.5	2.5
Lead time	2.7	3.6	2.7	3.6	4.5
Number of clients	5.2	6.5	5.2	3.9	6.5
Services quality	11	8.8	8.8	6.6	11
Market share	1.8	4.5	3.6	3.6	4.5
Total	42	42.2	35	35.6	50

\* Developed by authors on [13]

Note that EYU occupies a fairly strong competitive position in the target market. In the fig. 1, the shaded area shows directions for the company development and increasing its competitive characteristics in comparison with the reference value (best competitor).

**Fig. 1. The Competitiveness Polygon \***

\* Developed by authors on [13]

To be highly competitive, EYU needs to consolidate its existing competitive advantages: to maintain a competitive price of the services, to guarantee high quality services; effectively use their image advantages over competitors. To increase the competitive advantages in the studied service market EYU should to: expand the range of services, improve marketing communication with regular users and customers, shorten the lead time for the orders, increase the number of regular users, increase market share.

As can be seen, the combination of benchmarking and a competitiveness polygon method allows to obtain a comprehensive assessment of the company competitiveness level in comparison to competitors of key parameters, as well as to form improvements to these competitive disadvantages. The evaluation of EYU competitiveness by multi-criteria analysis COPRAS. Normalize the initial data matrix (tab. 3) and present some competitiveness parameters in natural values (tab. 7).

**Table 7. Competitive advantage matrix\***

Competitiveness indicator	Weight	Ernst& Young	HayGroup	Mercer	Tower Watson	Total
Price, grn	0.18	200000	250000	400000	200000	1050000
The range of services, score	0.12	4	4	4	3	15
Company image, score	0.12	5	4	4	4	17
Marketing comm. effectiveness, score	0.05	3	4	3	1	11
Lead time, month	0.09	3.5	2.5	4	3	13
Number of clients, score	0.13	4	5	4	3	16
Services quality, score	0.22	5	4	4	3	16
Market share, score	0.09	2	5	4	4	15

\* Developed by authors on [13]

The matrix is normalized using formula (1) and is presented in tab.8.

$$x_{ij} = \frac{A_{ij}}{\sum A_{ij}} \quad (1)$$

Where,  $x_{ij}$  is the performance of the i-th alternative with respect to the j-th criterion.

**Table 8. Normalized competitive advantage matrix \***

Competitiveness indicator	Weight	Ernst& Young	HayGroup	Mercer	Tower Watson	Total
Price	0.18	0.19	0.24	0.38	0.19	0.19
The range of services	0.12	0.27	0.27	0.27	0.20	0.27
Company image	0.12	0.29	0.24	0.24	0.24	0.29
Marketing comm. effectiveness	0.05	0.27	0.36	0.27	0.09	0.27
Lead time	0.09	0.27	0.19	0.31	0.23	0.27
Number of clients	0.13	0.25	0.31	0.25	0.19	0.25
Services quality	0.22	0.31	0.25	0.25	0.19	0.31
Market share	0.09	0.13	0.33	0.27	0.27	0.13

\* Developed by authors on [13]

The next stage of EYU competitiveness evaluation is the calculation of auxiliary indicators.

$$S_i^+ = \sum(W_k^+ * X_{ik}^+) \quad (2)$$

$$S_i^- = \sum(W_k^- * X_{ik}^-) \quad (3)$$

$$Z_i^+ = S_i^+ \quad (4)$$

$$Z_i = Z_i^+ + Z_i^- \quad (5)$$

$$Z_i^- = \frac{\sum S_p^-}{S_i^- * \sum \frac{1}{S_p^-}} \quad (6)$$

According to the above contents, we can get the absolute positive ideal point, namely, the weight, and the absolute negative ideal point, shown in Tab. 9. The greater value of Z – the higher company competitiveness level.

**Table 9. Weighted scores by criteria\***

	S+	S-	1/S-	Z-	Z
Ernst&Young	0.19	0.06	17.09	0.07	0.27
HayGroup	0.20	0.06	16.62	0.07	0.28
Mercer	0.19	0.10	10.39	0.05	0.23
Tower Watson	0.15	0.06	18.16	0.08	0.23
		0.27	0.27		

\* Developed by authors on [13]

As a result of using the COPRAS methodology, we can build a competitiveness rating for consulting companies in the domestic Remuneration services market: HayGroup (0,28), EYU (0,27), Mercer (0,23), Tower Watson (0,23).

TOPSIS methodology focuses on evaluating alternatives for better and worse scores. Normalize competitive advantages matrix (presented in tab. 6) with formula (7).

$$U_{ij} = \frac{x_{ij}}{\sqrt{\sum(x_{ij}^2 * w_i)}} \quad (7)$$

As a result of calculations obtain a weighted normalized matrix of competitive advantages (table 10).

**Table 10. Weighted normalized competitive advantage matrix \***

Competitiveness indicator	Weight	Ernst&Young	HayGroup	Mercer	Tower Watson	A+	A-
Price	0.18	0.86	1.07	1.71	0.86	0.86	1.71
The range of services	0.12	1.53	1.53	1.53	1.15	1.53	1.15
Company image	0.12	1.69	1.35	1.35	1.35	1.69	1.35
Marketing comm. effectiveness	0.05	2.27	3.02	2.27	0.76	3.02	0.76
Lead time	0.09	1.77	1.26	2.02	1.52	1.26	2.02
Number of clients	0.13	1.37	1.71	1.37	1.02	1.71	1.02
Services quality	0.22	1.31	1.05	1.05	0.79	1.31	0.79
Market share	0.09	0.85	2.13	1.71	1.71	2.13	0.85

\* Developed by authors on [13]

According to the above contents, we get the absolute positive ideal point (A+) of competitive advantage and the absolute negative ideal point (A-) of competitive disadvantage.

At the next stage of the evaluation, the distance of each competitive factor from the ideal positive and negative enterprise competitiveness score is determined by using formulas (8, 9).

$$S_i^+ = \sqrt{\sum (U_{ij} - U^+)^2} \quad (8)$$

$$S_i^- = \sqrt{\sum (U_{ij} - U^-)^2} \quad (9)$$

The results of the calculations are recorded in the table 11.

**Table 11. Distance from ideal and maximum negative point \***

Competitiveness indicator	Ernst&Young	HayGroup	Mercer	Tower Watson
S+	1.61	0.48	1.54	2.57
S-	1.93	2.91	1.83	1.31

\* Developed by authors on [13]

The final stage of assessment is the calculation of the distance from the ideal point (score), represented in tab. 12.

**Table 12. Relative distance from the ideal point\***

	S+	S-	(S+)+( S-)	S-/((S+)+( S-))
Ernst&Young	1.61	1.93	3.54	0.55
HayGroup	0.48	2.91	3.39	0.86
Mercer	1.54	1.83	3.37	0.54
Tower Watson	2.57	1.31	3.89	0.34

\* Developed by authors on [13]

As a result of using the TOPSIS methodology, we can build a competitiveness rating for studied consulting companies: HayGroup (0,86), EYU (0,55), Mercer (0,54), Tower Watson (0,34).

As a result of using competitiveness multi-criteria analysis methods, we have the same competitiveness ratings of consulting companies in the domestic remuneration services market.

### Conclusions.

The reflection of the competitive position of the company is its competitive advantage. From the point of view of the company's competitive advantage is its unique position in the sector in relation to competitors, allowing to achieve above-average profits and to be ahead of the competition. The competitive advantage of the company depends on the value that the company is able to create for its customers.

Durable competitive advantage is the result not only of resources and skills, but also depends on factors outside the company or even outside the sector in which the firm operates. Proceeding from this, a competitive company must be flexible and capable to adapt to changing operating conditions and obtain specific benefits from this process.

An enterprise competitiveness evaluation allows to determine its competitive position and market status, which are important elements in building a competitive strategy, it allows to estimate the current capabilities of a company and trends and opportunities for its further development.

A measure of an enterprise competitiveness based on a simple aggregation of individual qualities can be highly misleading. Competitiveness is not just given by cumulating performance along all competitiveness drivers, but by their systemic interaction. The research on competitiveness reveals a number of additional challenges that are related to the nature of how different factors influence it. Three main issues make a multi-criteria assessment of aggregate competitiveness difficult: (1) the value of individual qualities of competitiveness depends on the specific context and performance that a company reaches in other competitiveness drivers; (2) the value of specific competitiveness drivers depends on an enterprise' overall stage of economic development and its strategic positioning in the target markets; (3) individual factors that shape fundamental competitiveness indicated that their role in competitiveness outcomes but also the process to change them differs significantly.

Consequently, today the detailed interactions between competitiveness factors are too complex and not always well enough understood to capture them in a model that would be able to represent the aggregate competitiveness.

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**THE RIGHT OF OWNERS OF SOME NATURAL RESOURCES FOR DRIVING  
THE ARMS, AS A ELEMENT TO PROVIDE SAFETY OF ACTIVITY**

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**Abstract.** *Activity in the agrarian sector is determined by the fact that there is a question of ensuring security during direct economic activity and the sale of grown products or raw materials. Such activity is connected with the use of various natural resources, among which it is possible to determine land, water, forest, and others. However, the situation that exists in Ukraine both from the economic side and from the social one determines the low standard of living, unwillingness, and in some cases the impossibility to find a job, and accordingly have means of subsistence. In parallel, there is an increase in the illegal circulation of weapons. The criterion for increasing is the situation in the east of the country. The above, in aggregate, is a fragment of the explanation of the fact of the occurrence of the seizure either of a crop or directly from the owners of land in the overwhelming majority. Moreover, the seizure concerns the owners who, in cases of self-management, on their land plot, are not able to protect themselves through the conclusion of a contract of employment of appropriate protection, for example, or in any other way. Perhaps the question arises about the lack of the possibility of hiring a guard, which may be explained by a number of factors: the lack of prime price for agricultural products, raw materials; definition at the state level of agrarian direction - subsidy; high cost of necessary resources to ensure proper management. In addition, the considerable potential of illegal weapons from the population. So today, the most urgent measure is the introduction of a rule of law that allowed the owners of land to acquire weapons, including owners of land (units), which independently carry out business on it.*

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**JEL Classification: K32, Q15**

**Introduction.**

The receipt of certain profits characterizes the implementation of economic activity in the agrarian sector, to date. Undoubtedly, its monetary equivalent varies among the relevant actors, but is still determined by the common problems that exist. Such problems are related to the fact that different aspects of the selection of products (raw materials) occur, which is also realized through the mowing of the crop is not the owner. In the case of sales of products and receipt of funds not through the settlement account of a financial institution, the collection of such funds takes place either by seizing a private home or a related company or by stopping road transport. Such actions relate directly to the harvesting and marketing of products, but they do not constitute exclusivity. They can be manifested when purchasing fuel and lubricants, equipment, spare parts, etc. Under the risk falls both the right of property and the right of personal non-property nature.



The above is characterized by the prevalence of this particular problem and needs its urgent solution. The study of such a problem is related to the definition of the protection tool, precisely because of the justification of the feasibility of introducing the category - the owners of the land plots, including the land parcels (shares) that are self-owned on it, to the list of subjects entitled to obtain weapons. Taking into account the public position regarding the permitting of weapons among the population, the list of subjects is specified, which also significantly reduces their number.

By exploring previously the issue of types of capture and objects subject to exposure, consider the legal aspect within the existing requirements for the procedure for obtaining weapons. Such a requirement consists in the need to substantiate the introduction of a special regime for owners of land plots, including owners of land parcels (shares), which independently carry out activities on it.

### **1. The current characteristic of the use of the owners of natural resources**

To date, there is a delimitation of issues: armed, protected, penetration into the home, the procedure for obtaining a weapons permit, the storage of weapons without the consent of the police, outlines the boundaries of the necessary defense and a radical decision of the higher court, namely the possibility of committing a murder. The identified elements are certain key elements that are subject to more detailed study on how to resolve and resolve the issue of obtaining a weapons permit by entities that own certain types of natural resources.

Additional detail also needs a question: certain types of natural resources. After all, today private property rights may arise in relation to land resources, water and forest resources. The implementation of different directions of economic activity is associated with the production of organic, traditional products, raw materials, production of various types of fruits, berries, and the like. All this needs to be taken into account and the mechanisms of protection must be created. However, the most affected today is the activity related to the use of land resources and the process of selling grown products or raw materials. It is necessary to take into account that certain arms are available to citizens without permission. However, events in the eastern part of the country led to a significant increase in the number of illegal arms trafficking. Such weapons are accumulated on the hands of people who have seen with their own eyes what to kill. That is, the situation is dictated by psychological changes in the perception of reality. In addition, there is a rather difficult economic situation in the country, prices continue to rise, difficult pay for high-paying jobs, etc., which, in their entirety, may lead to a search for a quick and simplified means of livelihood. Such facts, one hundred percent can explain attacks on owners of land plots, including land plots (shares). Moreover, such attacks can be at home, as during the sale of products, either during the transportation of products (raw materials) or returning home with funds - in the case of cash payments. In such cases, the person unquestionably needs protection and protection, which will constitute a certain element of the guarantee.

A certain explanation will be required to emphasize the protection and protection of the owner of the land, including the owner of the land plot (unit), which independently carries out business activities. Since the owner of a land plot is one person who carries out economic activity on it. That is, such a person does not have any protection, protection, etc. In addition, his family can also work with this person, who will also be exposed, at risk and will need protection and protection. In cases where economic activity on land parcels is carried out by an entity in the form of a legal entity (a widespread form of activity - the creation of an agricultural company), it has the ability to maintain either its own staff of employees who provide for its protection, or to hire a police guard, to pay for its services, and directly to secure the protection of their household. A certain explanation will be required to emphasize the protection and protection of the owner of the land, including the owner of the land plot (unit), which independently carries out business activities. Since the owner of a land plot is one person who carries out economic activity on it. That is, such a person does not have any protection, protection, etc. In addition, his family can also work with this person, who will also be exposed, at risk and will need protection and protection. In cases where economic activity on land parcels is carried out by an entity in the form of a legal entity (a widespread form of activity - the creation of an agricultural company), it has the ability to maintain either its own staff of employees who provide for its protection, or to hire a police guard, to pay for its services, and directly to secure the protection of their household.

However, given that large legal entities in the agrarian sector, in the vast majority, are not owners of land plots, but receive them for use, their immediate goal is to obtain quick profit. That is, the question of preserving the properties of the land plot as a natural resource is not a priority or even a secondary task. Their activities violate the principle of rational use of natural resources. The process of cultivation, which accompanies and ensures a cycle of all actions, determines the impact not only on a specific land plot, but also on the adjacent, flora, including forest bands that perform protective functions, on atmospheric air, on insects, on the world of birds , fauna. However, each designated representative is a component of the environment or national legislation - the environment, which in its totality constitutes a closed system of elements. It is known that if an element ceases to function, the whole environment in this case is affected by the failure or failure of the activity.

Thus, the mentioned problem concerns both direct protection of the ecological direction, and the land, agrarian and natural resource direction, which is accompanied by the corresponding normative-legal norms.

In accordance with the Land Code of Ukraine [1], namely article 3, paragraph 3, legal positions regarding agricultural land, which may be transferred to the property and granted for use, are defined. Yes, it is foreseen among subjects:

- citizens who can receive land for private peasant farming, gardening, gardening, hay and grazing, commercial agricultural production, and farm farming;
- agricultural enterprises that can carry out commodity agricultural production;

- non-agricultural enterprises, institutions, organizations, religious organizations and associations of citizens who can carry out auxiliary agriculture;
- wholesale markets for agricultural products intended to house their own infrastructure.

An important aspect in this direction is taking into account the foreseen legal and regulatory position regarding the impossibility of receiving private land for agricultural use by foreigners, stateless persons, foreign legal entities and foreign states. The questions concerning the inland tracks, households, field protecting forest belts and other protective gardens, hydro technical structures, reservoirs, etc., which may be in accordance with the Land Code of Ukraine, have been determined, to be transferred to the property of citizens, agricultural enterprises, establishments and organizations created by former employees state and communal agricultural enterprises, institutions and organizations.

In accordance with the Forest Code of Ukraine [2] it is determined that the ownership of forests may arise from citizens and legal entities of Ukraine. It is also stipulated that these entities may, for free or for a fee, acquire landed forest areas with total area up to 5 hectares in the ownership of the lands of peasant, farmer and other farms. Such area may be increased in case of inheritance of forests in accordance with the law. It is determined that citizens and legal entities may own forests, created by them on land acquired in the prescribed manner in degraded and unproductive lands, without limiting their area. At the same time, in accordance with Article 13, it is provided that a document certifying the right of private ownership of forests is a state act on the right of ownership of land, issued to the corresponding land plot. The moment of occurrence of the right of ownership is determined by the receipt of documents certifying the ownership of the land plot, and their state registration. Regarding such normative-legal positions, a number of questions arise, but in the direction of research they will have a different meaning and constitute a vector for the further realization of scientific study.

Also interesting is the issue of property regulation regarding water (water bodies), closed natural reservoirs. Thus, in accordance with the Water Code of Ukraine [3], Article 6 directly identifies issues of ownership of water (water objects). According to this, the water (water objects) is exclusively the property of the Ukrainian people and is provided only for use. The Ukrainian people exercise the right to own water (water objects) through the Verkhovna Rada of Ukraine, the Verkhovna Rada of the Autonomous Republic of Crimea and local councils. According to the Land Code of Ukraine [1] it is determined that the land of the water fund may be in state, communal and private ownership. Part 2 of Article 59 of the Land Code of Ukraine states that citizens and legal entities may, under the decision of executive bodies or local governments, transfer closed natural reservoirs (total area up to 3 hectares) free of charge to owners, as well as owners on their land plots may in the established order create fishery, anti-erosion and other artificial reservoirs. Comparing the two mentioned and legal acts equivalent to the legal force, it is also determined that there is no immediate understanding that there is a "closed natural reservoir".

According to the Water Code of Ukraine [3] only a "closed water object" is used as a natural or artificially created reservoir, not connected with other water objects (except aquifers). Based on the above, there are currently inconsistencies between the normative and legal acts that should be subjected to the process of unification. Such directions determine the further topics of scientific and theoretical study for a more effective future legal use in practical life. However, within the scope of the study, one can still talk about the presence of private property of land resources, closed natural reservoirs, forests. Activities related to their use by the respective owners may, and largely, be unduly influenced.

Today, it is possible to consider the position of the Supreme Court, which states that the state of necessary defense exists only during a public encroachment, and only if it is necessary to immediately turn it away or stop it [4]. Acquaintance with the Supreme Court ruling No. 490/11155/14-k, we consider it appropriate to take into account some aspects, namely: "in accordance with the provisions of Part 1 of Article 36 of the Criminal Code, the necessary defense is the actions committed in order to protect the rights and interests of a person who is protected or other person as well as public interests and interests of the state from a socially dangerous encroachment by causing the perpetrator to harm the necessary and sufficient in the given situation to immediately discourage or stop the encroachment if it was not allowed to exceed the limits of the necessity dnoyi defense. In resolving the issue of the absence or presence of the state of necessary defense, exceeding its limits in each case, taking into account the specific circumstances of the case, must conduct a comparative analysis and assess the presence or absence of an act of socially dangerous encroachment and act of protection, establish their relationship, compliance or non-compliance with the protection of danger encroachment. The criteria for determining the lawfulness of the required defense include: the existence of a socially dangerous attack, its validity and objective reality, the limits of protective actions that would not exceed the limits of necessity, and the damage to the perpetrator would not exceed what is necessary for that. Thus, the state of necessary defense exists only during a socially dangerous attack, which has an initial and final moment, as well as only if there is an urgent need to prevent or stop such an attack. The need for an immediate rejection or termination of a socially dangerous encounter occurs when and where the delay by the person, who is defending, in causing damage to the perpetrator, threatens immediate and inevitable harm to the protected interests. However, according to Part 5 of Article 36 of the Criminal Code, irrespective of the severity of the damage caused to the offender, is not exceeding the limits of the necessary defense and does not result in criminal liability for the use of weapons or any other means or objects for protection from an attack of an armed person or an attack of a group of individuals, as well as to prevent an unlawful violent invasion of a home or other premises. ... the law provides for exceptions to the general rule that when defending the defendant, the person protected should observe a certain limit, causing damage to the offender. These exceptions include the attack of an armed person, an attack by a group of persons or an unlawful forcible intrusion into a home or other premises.

In such cases, the damage caused to the offending person is unlimited. ... in the conditions of establishing such exclusively a factor as an attack, there is no criminal liability in accordance with Part 5 of Article 36 of the Criminal Code "[4]. The above-mentioned position of the Supreme Court must be taken into account when deciding on the criminal liability of a person who has defended the attackers, including those who used weapons as well as when entering a home.

## **2. Legal and regulatory directions concerning the legal regulation of arms circulation among the population**

In addition to the aforementioned in relation to the circulation of a significant number of weapons among the population, it is necessary to take into account the regulatory and legal tendencies in the settlement of this issue. So, we determine the fact in the society about the petition with the requirement to consolidate in the Basic Law the right of citizens to free possession of firearms, as well as the adoption of the Law "On Civilian Weapons and Ammunition" [5]. The petition was appealed to the President of Ukraine, and the answer was that "the adoption of laws falls within the powers of the Verkhovna Rada of Ukraine" [5]. In the future, in the Verkhovna Rada of Ukraine, in December 2014, the bill No. 1135-1 "On Civilian Weapons and Ammunition" was registered. The said draft regulatory act defined the regulation: "The circulation of civilian weapons and ammunition on the territory of Ukraine, which, according to the bill, includes weapons and ammunition of domestic and foreign production, are allowed for civil circulation and possession of citizens of Ukraine, business entities and infantry sports organizations for purposes not prohibited by the legislation of Ukraine" [5]. It should be noted that the lawyers on such a bill noted: "the attempt to comprehensively regulate relations related to the circulation of weapons and ammunition at the level of a single act of higher legal force, because today the legal regulation of the circulation of weapons and ammunition at the level of by-laws is outdated, complicated and uncoordinated. The consolidation of the procedure for the circulation of weapons and ammunition, the procedure and grounds for their use, the rights and obligations of the persons-owners, the activities of entities related to the civilian traffic in arms and ammunition at the level of law, will promote a more qualitative and complete regulation of relations, eliminate there are disagreements and difficulties in applying legal norms" [5]. Thus, all determine the immediate need for a solution to the problem of arms circulation, which will contribute to a more definite direction of regulation of social relations.

It is also necessary to pay attention to the fact that a number of positions are aimed at introducing a certain story, which consists in determining: "a single information base at the state level, which will contain information about the persons who possess weapons and, accordingly, their weapons - the Uniform State Register weapons of Ukraine. It should consist of sections opened for each unit of weapons, possession and use of which requires permission, and which should contain information about persons who will in fact possess and use the weapon.

The actual system of accounting for weapons, ammunition, and their owners provides for separate books: accounting for objects of the licensing system that are under control, and books for keeping holders of hunting firearms, pneumatic weapons, and cold weapons. It is worth paying attention to the fact that the personal affairs of the owners of weapons are kept from the employee who carries out the permit system, in paper form, and for ease of use are arranged in alphabetical order. The archaism of such a system of accounting is not even worth talking about. In particular, it provides for the implementation of a separate specialized executive body that will implement state policy in the field of state registration of weapons rights to ensure the functioning and filling up of the Register. The state registrants of the rights to weapons will act themselves economic entities that sell civilian weapons and ammunition to it, as well as in cases provided for by law (for example, weapons found), the above-mentioned executive body" [5]. The analysis of such proposed norms does not determine that archaic, but a step back, and especially about the protection of the rights and freedoms of citizens, including those concerning the owners of natural resources.

When defining weapons within the scope of the subject structure, the positions proposed for him in accordance with the draft law should be considered and proposed. Thus, in the context of draft law No. 1135-1 it is written: "The subjects of the right of ownership of civilian weapons and ammunition are only citizens of Ukraine, business entities and small sports organizations who have the right to own and dispose of civilian weapons and ammunition. Foreigners and stateless persons temporarily staying in Ukraine will have the right to own only weapons and ammunition of the first category that do not require a permit. To date, Ukraine has a single system of possession of weapons and ammunition, and there was a permissive system for it. The draft law proposes to introduce a two-tier system of possession of weapons: based on the issuance of a permit and without it. Thus, the bill introduced a division of civilian weapons and ammunition, depending on their level of turnover in four categories. The first category is in free civilian circulation and passed outside the permissive system. Such a weapon is a pneumatic weapon with a caliber up to 4.5 mm and a flying speed of the metal element up to 100 m / s, as well as firearms under the Flaubert cartridge with a caliber up to 4.5 mm and ammunition to it. Weapons and ammunition of the II-IV categories, which include, in particular, gas weapons, long-fire firearms, short-barreled rifled firearms, are in civilian traffic by issuing permission holders for each particular category. In order to obtain a permit for weapons II-IV categories, a citizen of Ukraine must be capable, mentally sound and not convicted. With regard to age limits, the following legislation has been established by the current legislation: 18 years - regarding the right of ownership of cold, cooled and pneumatic weapons; 21 years - on hunting smoothbore weapons; 25 years old - on hunting rifles. However, the draft law provides for a reduction in the age from which citizens have the right freely to acquire / obtain permission for weapons: 16 years - weapons of category I; 18 years - weapons of category II; 21 years - weapons of the III and IV categories.

The draft law also provides for the possibility of joint possession and use of weapons by members of the family of the owner of weapons, which arises on the basis of the permit for joint weapons, in addition, the mandatory condition for granting such a permit is the residence of family members with the owner of weapons in one home or house-house" [5].

In addition, when considering the bill lawyers determine the procedure for obtaining a permit for weapons. In particular: "In the case of the acquisition of weapons for the first time, citizens are obliged to undergo a training course for weapons owners, ending with an exam, which is accepted by a representative of the executive body, implementing the state policy in the field of state registration of weapons rights, and the representative of the organization where the courses are conducted. If a person already has permission to purchase a weapon of a certain category but has expressed a desire to obtain a weapon of a different category, she must pass a qualification course on the handling of the relevant weapon. In brief, the procedure for obtaining a permit for weapons of categories II to IV is as follows: a person undergoes training for weapons owners, examinations and submits to a specially authorized executive body a package of documents, namely: application, medical certificate, certificate of completion of courses, civil insurance contract -legal liability, the original and a copy of the passport, a receipt for payment of services for issuing a permit. The decision on issuing the permit is taken within five days. In the absence of grounds for refusal, a person receives a permission for a certain category of weapons and a weapon card containing the number, brand, model and caliber of weapons. The refusal to issue a permit must be motivated and may be appealed in court "[5]. There are also requirements for the storage of civilian weapons obtained through permission and ammunition to it. Immediately implementation is due to: "the presence of a safe (metal cabinet) at the place of registration of the owner or permanent residence. In addition, if a person is at the same time the owner of more than 5 units of weapons of II-IV categories, the presence of signaling is obligatory. Employees of the authorized body of the Ministry of Internal Affairs of Ukraine carry out the control over compliance with the conditions for the storage of weapons and ammunition at least twice in five years. It is important to note that, at the request of the owner of the weapon or the person who jointly owns the weapon, the verification is carried out with the involvement of the perceived and drawing up a verification protocol. A separate issue is the possibility of wearing and transporting civilian weapons and ammunition to it. Thus, the draft law prohibits, firstly, the open carriage of weapons and its unjustified demonstration in public places; secondly, the wearing of weapons of categories II and III outside the home, home ownership or rifle shooting range or firing range, if it is not related to the occupation of certain types of civilian weapons; and thirdly, during and at venues of public events. Wearing weapons of the IV category (short-bore rifled firearms, short-sided smoothbore firearms intended for firing ammunition, equipped with elastic metal elements of less lethal effect) and ammunition in public places must be hidden from others in order to prevent accidental loss of them, the seizure of the third persons and accidental damage to third parties.

Separately, I consider it appropriate to draw attention to the prohibition of wearing firearms in a drunk condition. The draft law envisages introduction of amendments to the Code of Ukraine on administrative violations by introducing a new administrative offense - the wearing of firearms in a state of drunkenness (the state of alcohol, narcotic or other intoxication as a result of intentional person's use of alcohol, narcotic, psychotropic or other substances); which entails the confiscation of all firearms belonging to a person, and life deprivation of the right to possess weapons" [5].

The prediction also identifies issues related to the introduction of weapons-free zones, as well as amendments to the Criminal Code of Ukraine, in particular: "the provisions on the necessary defense, as set forth in Part 5 of Art. 36 of the Code as follows: "does not entail criminal liability for the use of a weapon or any other means or objects by a citizen to protect against an attack of a person or group of persons (two or more persons), or to prevent the unlawful forced entry into the home or other possession a person (including a vehicle), or other place of lawful temporary stay of an individual, regardless of the severity of the harm done to the offender ". Thus, the person who has lawfully applied the weapon is not liable. Under the category of "lawful use of weapons" it is necessary to understand its application in the following cases: protection of a person or other persons from criminal and any unlawful encroachments; the apprehension of persons who directly committed a crime or are preparing to commit it or for which there is a reasonable suspicion of committing a crime; in case of extreme need. Obligatory prior to use of a weapon, a person is obligated to warn against the use of weapons against a person by means of a verbal warning and / or a shot upward, except in the case of a sudden danger, a clear threat to human life or other grave consequences; and only then, as an extreme measure, the person possessing the weapon is entitled to its use. In the case of the use of weapons and, consequently, human defeat, the person who used the weapon is obliged to immediately call the ambulance for the wounded, to notify the law enforcement agencies and take measures to protect the scene" [5].

Directly, today the management of the work includes the Order of the Ministry of Internal Affairs of Ukraine of 21.08.1998 Б"- 622 with amendments on the approval of the Instruction on the procedure for the manufacture, acquisition, storage, accounting, transportation and use of firearms, pneumatic, cold and cooled weapons, devices of domestic production for the shooting of cartridges equipped with rubber or similar in their properties non-lethal metal shells, and ammunition for them, as well as ammunition for weapons, major parts of weapons and vibes over materials [6].

The said Instruction includes the regulation of the conditions and procedure for the issue and cancellation of permits for the purchase, storage, recording, protection, wearing, transportation and use of weapons, domestic production devices for shooting ammunition, stuffed with rubber or similar non-lethal metal shells of their properties, and cartridges to them, ammunition, other objects, materials and substances, regarding the storage and use of which are established special rules, the procedure and which are subject to the permit system, rules of treatment and their application.



The implementation of the work permit takes place through the structural divisions, in particular, it is an authorized unit for controlling the circulation of weapons by the central police authority; territorial (separate) units of police in districts, cities, districts in cities (territorial subdivisions of the police). Among the main tasks of the police authorities are as follows: prevention of violations of the order of manufacturing, acquisition, storage, accounting, protection, transportation and use of firearms, pneumatic weapons caliber more than 4,5 mm and the speed of the ball more than 100 meters per second (air guns) and cold weapons (crossbows, bows with tensile force of more than 20 kilograms, hunting knives, etc. (cold weapons)), domestic production units for shooting cartridges equipped with rubber or similar in their properties, flammable sleep Non-lethal poisons (devices) and ammunition to them, most of the weapons to ammunition and weapons oholoschenoyi weapons, explosive materials and substances prevent the occurrence of loss, theft, misuse and from unlawful purpose.

Point 2.1. the issue of permission, with details of the subject structure and purpose of use also determines instructions. In particular: "in carrying out the permit system, police authorities, in accordance with the legislation of Ukraine, shall issue to ministries and other central executive authorities, enterprises, institutions, organizations, economic entities engaged in the production, repair, trade in non-military firearms, ammunition to it , a cold and cooled weapon, a pneumatic weapon with a caliber more than 4,5 mm and a balloon speed of more than 100 m / s; production of special means charged with tear and irritant substances, personal protection, active defense and their sale (hereinafter referred to as business entities), permits for the purchase, storage, transportation (through the customs border of Ukraine, the territory of Ukraine, transit through the territory of Ukraine) and the use of firearms, ammunition, major parts of weapons, cold weapons, cooled weapons, pneumatic weapons; devices and cartridges for them; explosive materials and substances; the opening and operation of repositories, warehouses and bases where they are stored, shooting ranges and shooting facilities, hunting and sports stands, as well as enterprises and workshops for the manufacture and repair of firearms and cold weapons, pyrotechnic workshops, points of study of material weapons, special means, rules of handling and their use, shops selling weapons and ammunition to them, devices and cartridges for them (hereinafter - objects of the licensing system); citizens - permits for the purchase, storage and carrying of firearms, cold, cooled, pneumatic weapons, devices" [6].

Directly on the GP of the GUNP is the authority to issue permits for: the acquisition, storage and wearing of hunting rifles, smooth-bore weapons, pneumatic, cold, cooled weapons, devices by citizens of Ukraine; purchase and storage of departmental firearms, hunting weapons, military supplies to it, basic parts of weapons, pneumatic, cold, cooled weapons, devices and cartridges for them by enterprises, institutions, organizations, economic entities. Noting the powers of the territorial units of the police, there is a list of types of weapons handling, but it is not indicated in relation to the subject structure.

Point 2.6. Instructions stipulate that the issuance of permits to citizens for the purchase, storage and carrying of weapons is carried out after studying with them the material part of weapons, the rules of treatment, its application and use, which is carried out at the points of study of the material part of weapons, special means, rules of treatment and their application after the crediting and receipt of a certificate on the study of the material part of weapons, special means, rules of treatment and their application. By paragraph 2.8. the question of insurance of the relevant relations is determined, in particular: citizens of Ukraine should, in accordance with the procedure established by law, conclude an insurance contract of civil liability of citizens of Ukraine possessing or otherwise possessing legal possession of weapons for damage which may be caused to a third person or its property as a result of possession, storage or use of this weapon (insurance contract). The level of instruction also determines the issue of accounting for owners of weapons, devices. In particular: the account of the owners of hunting fire-rifled, smooth-bore, pneumatic, as well as cold weapons, devices is carried out in the book of owners of firearms, pneumatic weapons, as well as cold weapons. Information on the presence of such weapons from citizens is recorded in the database.

For every person who owns firearms hunting, as well as cold, awards, pneumatic weapons (except for departmental weapons), devices, a personal case is started. Personal cases of the owners of rifled, rewarding firearms and devices are conducted in the GP of the Guinea, and on the owners of hunting smoothbore, pneumatic and cold weapons - in the territorial units of the police. It is also determined that the personal business of the owner of the weapon must contain the following documents: a statement on the issuance of a permit for the right to purchase, store and carry on each unit of weapons, the main parts of the weapon separately; application card the root end of the permit for the acquisition of weapons, the main parts of weapons, or copies of other documents certifying the registration of weapons, the main parts of weapons in the police; materials for verifying the owner of the weapon, report, information about the absence or presence of criminal records, medical certificates (other than cooled weapons); a payment document (payment order, receipt) with a mark of the bank, a post office or the code of the transaction for the payment of funds for the provision of the corresponding paid service; a certificate on the study of the material part of the weapon, special means, rules of handling and their use (other than cooled weapons); a copy of 1, 2 and 11 pages of the passport of a citizen of Ukraine. In the regular services of the territorial subdivisions of the police, a worker who carries out a permit system keeps a card file containing the records of the owner of the hunting fire, pneumatic weapon, as well as cold weapons, used for checking the persons detained for the offense, as well as for informing the police attire. Employees of the duty service are computer records of owners of weapons, devices. In case of change of residence the owner of the weapon, the device within ten days must apply for an arbitrary application for registration in the police station at the new place of residence.

In the case of seizure of weapons in cases provided for by law, the voluntary delivery to the police, sale, death of the owner of the weapon personal file is archived, as is recorded in the book of inventory of owners of firearms, pneumatic weapons and cold weapons, as well as data is entered into the database. In the matter of controlling the storage of firearms, pneumatic, cold and cooled weapons, devices belonging to citizens determined to carry out a number of actions by police authorities in accordance with the law. District police officers carry out verification of the procedure for the storage of weapons by citizens at least once every three years. The results of the inspection are a report, which is attached to the personal file of the owner of the weapon, device. The requirements of police officers to ensure the safety of firearms and their ammunition, as well as pneumatic, cold and cooled weapons, devices, cartridges for them are binding on its owners. When completing a task, a local police officer may be filled in for each individual owner and for the group of owners on the list. When changing the place of residence, the acquisition of weapons and their re-registration, citizens must be checked at their place of residence. It should be noted that the Instruction contains paragraph 8.1., According to which the permit system carried out by the police forces extends to military-military rifle weapons of weapons or custom-made, cooled, neutralized, non-modern, sporting, hunting, firearms, weapons to weapons, the main parts of the weapon, pneumatic, cold weapons, devices and cartridges to them belonging to enterprises, institutions, organizations, economic entities and citizens.

Among the fixed types of weapons of interest within the scope of the study, the following are taken into account: the firearm, considered as a firearm, is intended to damage a person and / or technique. Pneumatic weapons include pistols, revolvers, caliber rifles over 4.5 millimeters and balloon speeds of more than 100 meters per second, in which the projectile (ball) is driven by compressed gases. Cold weapons are objects and devices that are constructively designed and, in their properties, suitable for repeated attacks by direct action of grave (dangerous to life at the time of infliction) and mortal bodily injuries, the effect of which is based on the use of human muscular power. Directly the procedure for the acquisition, storage, registration, protection, transportation and use of weapons and ammunition to it in ministries, other central executive authorities, enterprises, institutions, organizations and economic associations is regulated by the relevant instructions agreed with the National Police of Ukraine. It has been determined that firearms, pneumatic and cold weapons and their supplies, devices and cartridges to them by ministries, other central executive authorities, the National Bank of Ukraine, enterprises, institutions, organizations can be purchased for: protection of life, health and property of citizens . Knows the rules and questions of subjective requirements for persons who may have certain types of weapons. In particular: the citizens of Ukraine who have attained the age of 21 years, hunting rifles and the main parts to it - 25 years of age, cold, chilled and pneumatic weapons, and the main parts to it - use the right to acquire hunting smelter weapons and its main parts - 18 year-old age. The quantity of weapons that a citizen of Ukraine may have is not limited, however, the owner of the weapon must ensure its unconditional custody.

In order to receive citizens in the police authorities permission to purchase firearms hunting rifles, smooth-bore weapons, pneumatic weapons, cold and cooled weapons, citizens are filed with the following documents: a statement on the issuance of a permit for the acquisition of weapons in the name of the head of the police authority at the place of residence of the applicant; a completed application card; medical certificate (except for cooled weapons); a certificate on the study of the material part of weapons, special means, rules of handling and their use (other than cooled weapons); a payment document (payment order, receipt) with a mark of the bank, a post office or the code of the transaction for the payment of funds for the provision of the corresponding paid service; copies of 1, 2 and 11 pages of the passport of a citizen of Ukraine. If the actual residence of the citizen is different from that indicated in the passport, it is necessary to provide a document confirming the actual place of residence of the citizen (lease of a residential space, certificate of ownership of a living room, etc.). Purchased hunting firearms rifled, smoothbore weapons, main pieces of weapons, chilled, pneumatic weapons, cold weapons, devices within ten days from the date of purchase must be registered in the police authorities at the place of residence of the owner with the permission to be stored and worn.

Thus, it is possible to elaborate a certain algorithm for the actions that must be taken to obtain a weapons permit. In particular, "guided by Ukrainian laws, it is legally possible to acquire weapons for self-defense, but only from the category of hunting rifles or carbines" [7]. The list of documents, which is necessary for obtaining the weapon, is determined. So, it is necessary to collect: "the form of medical certificate 127 / o; Certificate of responsibility issued by the Ministry of Internal Affairs; Certificate of passing courses in accordance with the program of the Ministry of Internal Affairs in one of the rifle and sports clubs; Compulsory insurance of civil liability for damage that may be accidentally caused to a third party; application for a permit for the purchase of weapons, which is filled by the department of the permit system of the Ministry of Internal Affairs at the place of residence. After collecting documents, you must pay the collection of the permit system and be sure to provide a check. Permits are issued by the divisions of the permit system of the Ministry of Internal Affairs of Ukraine" [7]. Attention is also drawn to traumatic weapons, the right of wearing of which arises from people's deputies, journalists, relatives of judicial and law-enforcement bodies, persons involved in criminal proceedings, as well as citizens who guard public order and the state border (druzhinniki). A person entitled to arms receives a permission within a month, which includes a special form (a form of strict accountability) consisting of three elements: the first remains in the Ministry of Internal Affairs, and two others from the person who acquires weapons. After purchasing weapons in an armed shop, his staff leaves the second part of the special form letter, and in the third, they write down the characteristics of the weapon and give it to the buyer. Validity period for the purchase of weapons is 3 months. In the future, after acquiring weapons within 10 days, it is necessary to register it in the permit system of the Ministry of Internal Affairs and within two weeks, it is possible to obtain a final document that allows you to store and carry weapons.

In the future, a control image is taken to obtain results at the base of the Ministry of Internal Affairs, which is carried out due to the presence of a person of his own weapons, permission for him, a passport and three full-time patrons, and the presence of a safe deposit box is mandatory. According to the rules, weapons and ammunition to it, its main parts must be stored in metal boxes, safes at the place of residence of the owner [7].

### **Conclusions.**

Guided by the current legal framework, judicial practice, as well as practical requirements, we consider it necessary to include in the structure of the subjects who have the right to receive weapons, the category - owners of land plots, including owners of land plots (shares) that themselves carry out economic activity on it. The grounds for obtaining the right to obtain a weapons permit must be: a statement, a copy of the passport and a copy of the legal document certifying the ownership of the land, a certificate from the local self-government body or the united territorial community about the independent activity on the land plot; in cases where the owner of the land plot has a military passport certifying the service in the relevant unit, such persons do not need to receive a certificate of possession of weapons training, but if the person does not have such skills, or the landlord has a woman, she should provide certificate of possession of weapons. In the issue of the medical certificate of the appropriate form, as provided for today, the owners of the land plot should not provide, as this defines the restrictions on ownership. In the future, after the acquisition of weapons, the person must be added to the uniform database of weapons owners and submit three copies.

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**Abstract.** *The article is dedicated to the research of the interaction of taxes and law. A comparative characteristic of the constituent taxes and law is given. The legal mechanism of taxation is analyzed, its essence. It is shown that the relationship of taxes and law enriches them, creates a qualitatively new entity and significantly affects the socio-economic development of the state and society. It is substantiated that the law has the potential, through taxes, to influence the development of the economy, taking into account the objective nature of economic laws. Based on the essence of natural law, it is proved that taxes are a measure of justice and freedom among the state and society. The interaction of taxes and law leads to the creation of a mechanism for the legal regulation of taxation, which includes: the rule of law, legal relations and acts of application of the rule of law.*

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**JEL Classification: K1****Introduction.**

In the conditions of a modern market economy, the tax system is one of the main factors in the development of social production, which significantly affects the social and economic spheres of society. Taking into account the unstable economic situation and the intricate tax legislation, which is purely fiscal in nature, the problem of forming a stable system of tax revenues is quite acute for Ukraine.

The modern tax system of Ukraine has a lot of significant disadvantages that are systemic. The legal mechanism of taxation must be formed on the basis of solving the most significant taxation problems, including: instability of tax legislation, high tax burden, complex and non-transparent tax administration, lack of long-term excise policy and many other problems hampering the development of small and medium businesses. In addition, there are organizational difficulties in taxation, such as passing audits, filing reports, visiting tax authorities, etc. World practice shows that taxes perform not only a fiscal role, but also stimulate the development of social production. The purpose of the tax system is not only to collect taxes and ensure the revenue part of the budget for the state to perform its functions, but the achievement of the strategic goal - the development of the national economy. Therefore, the legislation should reflect this aspect of taxation. It is possible to achieve this by relying on modern approaches to the legal regulation of taxation.

Legal regulation of tax planning begins with the state determining the types of taxes and setting tax rates. Each state has its own peculiarities of taxation and in many respects they depend on the relations that develop in the socio-economic sphere. At the same time, the general policy is to plan such taxes that can ensure the filling of the state budget and the solution of social and economic issues of the society.

### **1. Comparative characteristics of taxes and law.**

Taxes are a phenomenon that operates in the legal field, forming with it the phenomenon of economic and legal nature. The possibility of such interaction of taxes and law is related to the nature of these phenomena. Being different in content, however, they have a great deal to each other. In order to understand this process, a comparative characteristic of taxes and law should be made.

The first thing to note is the complexity of the elements of law and taxes. The law has a normative character, represented by a system of generally binding norms. Also applies to taxes. The norms are generally binding for its subjects. Like law, taxes represent the stamps in which the relations between the parties are laid down and must regulate their behavior in accordance with them.

Taxes and the right are objective in nature, which is associated with the development of human society. The objective source of the first and second is the state, since they are its inherent attributes. It is the relationship of taxes of law with the state that determines not only their semantic meanings, but also the essence, content, form, functioning, and so on. Standards of behavior may exist outside the state or before it, but they will not be legal standards, if the latter is absent. The same goes for taxes. Taxes become taxes if they exist in the state structure. The objectivity of law and taxes is deeper than the state itself, since the internal forces of social development cause these phenomena through the structure of the state. Such an internal force is the desire of the process of social development to orderliness. Orderliness is the basis of development, since constant chaos is aimed at destruction, and in its absolute form it does not exist in nature. Law and taxes streamline social relations, fixing them in certain rules of behavior.

Law and taxes have external forms of its manifestation. The most common manifestation for the law is the norm, and for the tax - the rate. Usually, the external manifestation of the right are its sources, i.e. the forms in which it is expressed: laws and other regulatory legal acts, judicial precedent, international legal act, regulatory legal agreement, etc. It seems that this understanding of law is somewhat narrowed, since it is a formal manifestation of it. Law, like any phenomenon, contains a triad: the essence, content and form. The form is an external manifestation of the phenomenon in reality. For law-these are public institutions that are governed by law and the legal relations they engender. For tax as a phenomenon, tax institutions and the relationships that they regulate are also a form.

In many ways, the concepts of law and taxes are similar in their characteristics. So, for example, an indicator of law is justice and an equal measure of freedom. At the same time, justice is a balance of interests of the authorities and the citizen, employer and the employee, etc., and not privileges and equalization [6, p.248]. Thus, when it comes to justice and a measure of freedom, this means that the boundaries and content of rights and obligations are determined by the rules of the required behavior, which are recognized by the majority of the population and are compulsory for all [6, p. 248]. Concerning the taxes, it seems a contradiction to consider them a measure of justice and freedom, since taxes are fiscal in nature. But, if, as in law, justice is viewed as a compromise in society for the preservation of the social system and its development, then we can say that taxes are a measure of justice and freedom. Of course, taxes can play an extremely negative role in the development of society. So, excessive taxation was one of the reasons for the 18th century French bourgeois revolution. Either positive or negative effect depends on an understanding of the phenomenon that exists, since the external side does not always correspond to the essence of the phenomenon. For example, the need for the existence of the state is obvious. But the state can contribute to the development of society, and, conversely, act as a tyrant towards its people. The same goes for taxes. The necessity of their existence is obvious. However, the tax system can either contribute to economic growth or inhibit it. Therefore, speaking of taxes, we can talk about justice, and the measure of freedom.

A sign of the law is normativity. Normativity sets the limits for the possible and proper behavior of a subject of law, defining duties, permissions and prohibitions. The same goes for taxes. Taxes also establish permits and prohibitions, define the obligations of subjects of taxation. The normativity of the law is wider than the tax; nevertheless, the presence of certain signs characteristic of different phenomena makes it possible to speak about the points of their contact. Another sign of the law is also the general obligation for each subject of the law of the state, which enters typical social relations. By the means of the general obligation, the agreed interests of the participants of the relationship are expressed. These characteristics are peculiar to taxes. They are a measure of the relationship between the state and society. All participants of tax relations are obliged to pay taxes regardless of social status, because, like law, taxes ensure the stability of the state and public system.

The main feature of the formal certainty of law is expressed in the prescriptions of laws and other legal acts. Taxes themselves as norms of behavior of participants of tax relations require forms of their implementation, and specifically use other forms of phenomena, through which they are implemented in the socio-economic reality. The main of such form is legal one. Being realized in laws and other legal acts, tax becomes a phenomenon that is able to realize itself, turning into a tax system.

The most important characteristic of law and taxes is their state guarantee. The state creates conditions for the realization of rights and taxes, protecting them in various ways, including enforcement.



Voluntary compliance of legal norms and taxes is possible if the interests of the subject coincide with the prescriptions contained in them. But when it comes to law and taxes, only the state can ensure compliance with the compromise between its participants. Since the interests of the subjects of law and taxation do not coincide, the observance of this compromise is achieved through the compulsory will of the state, which creates state institutions to maintain this compromise. The generality of this property for law and tax leads to the creation of bodies of the state regulation and protection. Thus, it can be stated that legal and tax norms are ensured by the implementation of the power will of the state.

The presence of similar signs of law and taxes does not mean that these phenomena are identical. These phenomena are diverse, having a different essence. But the presence of similar features makes it possible to talk about their convergence. The law phenomenon is wider than taxes, but the presence of certain similar signs allows taxes to enter the legal structure, turning this process into an economic and legal phenomenon. Taxes, passing through the structure of law, increase their impact on tax relations and determine the public nature of their actions. Thus, taxes are transformed into a powerful state-legal institution [7, p.13]. In reality, it is difficult to separate the economic and legal side of the tax, since they are merged into a single one. Theoretically, they can be separated, since the research of the economic and legal aspect of taxes makes it possible to understand their essence more deeply.

Of course, taxes have their own specific characteristics that deepen the influence of this phenomenon on others. So Kucheryavenko M.P. believes that the characteristics of taxes are the payment fixed by an act of the competent state body, the non-earmarked nature of the tax payment, the unconditional nature of tax, payment channeled through the budget, the obligatory nature of the tax exemption, the ultimate nature of the tax, the payment of money [5, p.37-39 ]. As you can see, there is a difference between the general and the particular. Special features of a tax specify the taxation system, expanding its limited space, and provide an opportunity to explore its individual elements in the legal field, more accurately relate the objective and the subjective in applying taxes in reality. Law and taxes are phenomena of a regulatory order. Actually, the law is the managing phenomenon. It is based on the management of public life, when the elements of regulation are defined and a clear framework of interaction should be defined between them. In this case, the state acts as a managing entity. Much depends on the subjective element in building a legal system, so the law is often not accidentally called positive. But this management is specific, to a certain extent, is not direct. The law creates a framework of relationships, while not imposing them on a specific subject. The subject decides itself what form of relationship to choose. Therefore, such management can be considered a regulation. Thus, in law, we are not talking about legal management, but about legal regulation. It can also be attributed to taxes, taking into account some other specifics of regulation. On the one hand, taxes as a managing system are more specific than law.

It does not allow the subject such a wide choice as a law. If the subject is a citizen, then it is administrating by a certain system of taxation and it does not have the opportunity to switch to some other one. Therefore, each subject is quite clearly attached to a specific tax system. At the same time, we have the right to talk about tax regulation, since the object of taxation is not stable, i.e. dynamic. As a result of economic activity, it is constantly changing. As a consequence, creating a stable tax system is very difficult. The change in the state of the subject and the object of tax leads to a different tax collection base, which in turn affects the financial condition of the company as a whole, both in a positive and negative direction. Since the economic structure is a kind of living organism, taxation should be changed to maintain the economic balance. Consequently, law with respect to taxes cannot act as a frozen system of stable regulation. Stable legal regulation can be stable with respect to those elements of the tax system that are prone to stability themselves. Such as principles, functions, methods, forms, organizational structures, etc., that is more associated with the subjects of taxation.

Legal and tax relations are structurally similar and consist of subject, content and object. Content is a tax relationship. Legal relations, in this case, gives legal form to tax relations through subjective rights and obligations. The object of taxation is a dynamic part in the regulation for the subject and content of tax legal relations. Therefore, the law must be dynamic in order to ensure adequate regulation of the object of taxation. Consequently, the law having influenced upon taxes creates a tax regulation of two levels: the legal regulation of the subject and the content of taxes and the legal regulation of the object of taxation. This conclusion is important not only from the point of view of theory, but also of practice. Such an approach makes it possible to build an optimal system of legal regulation.

Another feature of the object of taxation is that it is closely related to economic processes and fell within the scope to objective economic rules that are not related to the will of the person, i.e. act objectively. It is impossible to manage economic rules, they act according to their own regulations. Therefore, we are faced with uncertainties that can greatly affect economic development and taxation. This can be taken into account only through the regulation of economic activity, but not economic rules. Thus, the law has the potential to establish the relationship between taxes and economic development, taking into account the objective nature of economic rules. All this gives us the right to talk about the closest connection between law and taxes, as well as their integration, which ensures the effectiveness of the taxation system.

It should be noted that not only the law affects taxes, but also vice versa. The need for taxes in legal regulation leads to the development of the law itself. First of all, there is a need for law as a flexible system. Change in taxation can not go through the destruction of the law and the creation of a new legal system. Such an approach is extremely non-pragmatic, since it leads to disruption of the economic cycle and social upheaval, right up to revolutions. The economy-tax-law relationship requires close interaction between them.

The processes that occur in this triad, should cause in these relations the impulses to action and the implementation of changes that will help to balance public interests among themselves. Changes in the economy should lead to changes in taxation and, accordingly, in legal regulation. Tax changes should not impair economic development, and the law should prevent erroneous management decisions. Changes in tax regulation should not turn taxes into a factor of destabilization of the economy.

Taxes are an economic phenomenon that is associated with other elements of the economic system, which also contributes peculiarities in the legal regulation. Taxes are an element of the reproduction system and actively influence it. In this process, the law is the regulatory link of this system. The law should coordinate the link between taxes and the reproduction system. Legal regulation should not only strengthen the link between taxes and the reproduction system, but also predict the result of influence on reproduction. Its function is to block the negative effects of taxation on reproduction. Hereby, the law acquires the quality of a regulator as a way to coordinate the elements of the economic system and predict management decision-making.

The relationship of law and taxes also passes through natural law. This law dominates positive law. Natural law presupposes the existence of rights given to a person by nature, such as the right to freedom, movement, property, etc., which are at the top of the legal system. But speaking of the natural rights of man, the question of the natural duties of man has been avoided. It seems that this is not entirely true. The person is initially responsible to himself and society. One can hardly deny that a person is responsible for the state of the environment, for maintaining the vitality of society, for using property and other. In the economic sphere, it is the obligation of the subject to use it not only in his own interests, but also in the society interest. But this duty can not be realized in itself, as well as the natural rights of man. A mechanism for their implementation through the creation of public institutions is needed. One of the public institutions that implement the duty in the economic sphere, are taxes. Therefore, either natural rights or natural obligations are realized through them. Thereby, taxes are a measure of the obligation of a person to preserve the development and functioning of a community based on the results of economic activity. One of the public institutions that implement the duty in the economic sphere, are taxes.

Therefore, either natural rights or natural obligations are realized through them. Thereby, taxes are a measure of the obligation of a person to preserve the development and functioning of a community based on the results of economic activity. From this point of view, taxes are not a leverage over subjects of economic activity, but a measure of the subject's due obligation to preserve the vitality of society. Since the primary goal of taxes is to redistribute the economic wealth of society in favor of those who are objectively unable to ensure their existence in this world. Another issue is the realization of natural rights and obligations that are natural. History eloquently testifies the difficult process of their implementation.

And in the modern world they are not implemented in most countries. Today we can talk about the trend of their movement, which has a long historical perspective. The relationship of law and taxes is also seen through their relationship with the phenomenon of management, as well as manageability. Law and taxes carry the element of management, although they are not initially. Management characteristics are acquired in the process of their development and contact with other phenomena. It is usually considered that all social phenomena are divided into two layers: the basis and the superstructure. The law is recognized as a part of the superstructure, and taxes, according to their economic essence, should be attributed to the basis. However, we cannot deny the close relationship between them.

Then the question arises: how does this relationship happen? Manageability is neither a basis nor a superstructure. This is an autonomous phenomenon, the quality of which is permeability. It exists everywhere and pervades both the basis and the superstructure. Phenomena that get into this sphere receive a certain transformation and become transformed forms of development of their essence. In this regard, manageability serves as a link of communication between the basis and the superstructure, ensuring the unity of all socio-economic life. Thus, it becomes easy to understand the mechanism of interaction of law and taxes through manageability, which, when interacting with it, acquires its new transformed form, which allows law and taxes to interact, forming a new phenomenon - the legal tax system. This is a new phenomenon that contains legal, economic and managerial characteristics. In general, we can say that we have received a new phenomenon of synthetic essence, which has the generic properties of its phenomena, at the same time creates a qualitatively new phenomenon. This phenomenon is not just universal, but unified in its essence and has a greater influence than that it is originated from. This is similar to what happens in nature, when the synthesis of the initial elements creates a qualitatively new product that can satisfy our needs, and, as applied to nature, create a new framework for the development of the surrounding world.

Taxes generate relations between its subjects, causing the compulsory implementation of tax rules towards each other. Thus, we are talking about responsibility in tax relations, which generally serves as social responsibility, which is a “dialectical relationship between an individual and society, characterized by mutual rights and obligations to comply with the prescriptions of social norms, their implementation, entailing approval, encouragement, and in cases of irresponsible behavior that does not comply with the prescriptions of these norms, the obligation to undergo adverse repercussions and their endurance [4, p.295]. But by itself, social accountability in tax relations does not work if it is not provided with a legal element, i.e. social responsibility becomes legal responsibility. Legal liability is the obligation to undergo measures of state compulsion for the offenses committed [4, p.295]. And usually the responsibility is associated with the sanctions that are being applied to the subject of taxation. But the responsibility in tax relations and legal liability can be either positive or negative [6, p.248].

Positive responsibility - this is the benefit to society and the state, which represents the behavior of the subject of law. For taxation, this can also occur when the state, for the faithful conduct of a subject, can give it benefits at the disposal of its income. For example, the provision of charitable assistance or refinancing profits in production. For tax relations, negative liability is more characteristic, which is understood as responsibility for the past act, which is expressed in violation of legal norms [4, p.295]. Taking into account that legal liability is a taxation implementation environment, then we can talk about tax liability as a legal form of ensuring the elimination of a tax offense by undergoing conviction and adverse effects of a property nature.

## **2. The mechanism of legal regulation of taxation.**

Comparative characteristics of taxes and law gives reason to talk about their interaction that leads to the emergence of a mechanism for the legal regulation of taxation. Without getting involved in the discussion about the mechanism of legal regulation, since this is not the subject of this research, we note that the position of S.S. Alekseeva about the mechanism of legal regulation most clearly gives the opportunity to see its element-by-element composition, communication and interaction of elements of the mechanism of legal regulation [1]. It should be noted that the mechanism of legal regulation should generate a result that affects the scope of the regulation itself [3, p. 75].

The first element of the mechanism of legal regulation is the norm of law. It is an obligatory rule of conduct [4, p. 188], which controls (regulates) social relations. Therefore, “the norm of law generally models the desired, from the point of view of its interests, behavior of members of society in public relations of a particular objective type” [2, p. 162].

The norm of law is a kind of stamp in which social relations are formalized from the point of view of the state. The regulation of relations allows to stabilize social relations by placing each participant in the “cell” of the social organism that ensures its functioning. Working in collaboration, they form a social organism, giving it integrity and vitality. From the point of view of the state, it is important to determine the environment of this “cell”, which is the norm of law, since the viability of the whole social mechanism depends on it. Its incorrect definition leads to social distortions up to the ruination of the society itself. Therefore, from the point of view of state regulation, the norm of law should objectively reflect the existing reality, contributing to its development.

For all its reality, the norm of law is an abstract phenomenon, since this theoretical construction realizes itself through the articles of the legislation, that is, through the regulatory and legal acts that have the following advantages: clearly, precisely, unambiguously formulate the content; quickly drive to the consent of the recipients of the legal norm its content, provides favorable conditions for finding the necessary legal norm, creates the conditions for an adequate understanding by the addressee of the legal norm and its content, and allow to promptly change or eliminate the legal norm; allow the streamlining, harmonization, systematization of numerous legal norms [4, p.125]. Thereby,

the normative legal acts create a dynamic basis of the mechanism of legal regulation.

The next element of the mechanism of legal regulation is the legal relationship that transfers specific life circumstances to the level of subjective rights and legal responsibilities [4, p. 188]. The law, enveloping public relations, turns it into a legal relationship, that is, subjecting it to certain rules, when participants on the part of the state are given certain rights and duties, and the relationship between them can be built according to established rules. From this it follows that the participants acquire the competence of holder of a right and law binding character.

As an element of the mechanism of legal regulation, legal relations are aimed at their emergence, modification or termination. The mechanism of legal regulation binds its subjects through legal relations. But this is not an end in itself. The final aim is to obtain a positive result for the participants of public relations. Therefore, the effectiveness of the legal relationship is expressed through the legal consequences that it causes to the participants of social relations. But these relations are regulated and cannot be reformatted exclusively by their will. This can occur only within the limits of the rights and obligations granted to them, for otherwise the relationship will be illegitimate (ie, illegal) or even as such will not take place.

The third element of the mechanism of legal regulation, which scientists identify, is the realization of rights and obligations [2, p.213; 4, p. 188; 6, p. 682]. However, O. F. Skakun subdivides this element, highlighting also acts of application of law in the mechanism of legal regulation. At the same time, in the first case, understanding the acts of exercising rights and obligations as the actual behavior of the subjects of legal relations, and in the second case, this is the publication of a state-authoritative act - an act of application of legal norms that ensures the emergence, change or termination of legal relations [6, p. -683]. Yu. N. Oborotov considers acts of realization of subjective rights and legal duties as law enforcement acts [4, p. 188]. Position of Yu. N. Oborotov seems more accurate. Consideration of acts of direct realization of rights and obligations as the actual behavior of subjects of legal relations is nevertheless closer to legal relations. Legal relationships arise from action, no action - there is no legal relationship. Therefore, the action should be considered in connection with the legal relationship, and perhaps also as its integral part, which is its dynamic side, unlike rights and obligations, which in the legal relationship are a static side.

Acts of direct realization of rights and obligations constitute law enforcement. Yu. N. Oborotov notes that law enforcement is the commission by an authorized subject a heterogeneous entity of law enforcement actions of a basic and auxiliary nature, which are expressed in specific legal acts, called acts of application of the law [4, p. 188]. Law enforcement acts implement the norm of law in a concrete reality. They apply the disposition or sanction of the law norm itself. As a result, it turns the law enforcement act into an act of individual legal nature.

Justification of the mechanism of legal regulation in the form of three elements: the norm of law, legal relations and acts of application of the norms of law makes it possible to characterize the mechanism of legal regulation of taxation.

The structure of the subjects of tax legal relations includes the authorities with which the subject is vested. They include: authorities to lawful use their own actions, the performance of rights from other persons and the legal rights to claim legal protection. The lawful use gives the opportunity to the state body in the field of taxation to carry out legal actions in relation to the subject of taxation in the form of the right to claim for materials on their activities and compliance with tax legislation. The performance of rights of tax laws from others means the right to demand appropriate actions from an obliged subject of taxation, i.e. actions related to tax legislation, rules for the payment of taxes, the delivery of forms of reporting (tax bills, reports, etc.), tax rates of payments and more. The legal right of requirement for a tax subject is the right to apply to state bodies for advice, support and protection in case of violation of his subjective right by the state body (fiscal service). Contravention of tax legislation leads to state coercion if the party of the legal relations does not fulfill its obligations (to impose fines, challenge the actions of officials, to take administrative and financial actions).

The tax liability structure contains the following requirements:

1. Implementation of certain actions, or abstaining from them, i.e. to comply with tax legislation, not to violate it, provide access to objects of taxation to control authorities, provide accounting and financial documents related to the payment of taxes.
2. To respond to the legitimate demands of the eligible side, i.e. to eliminate the comments of the party that carries out the inspection on issues of violation of tax laws, to comply with their instructions, to provide the conditions for the inspection.
3. To be legally responsible for their actions in the form of material, financial, administrative, disciplinary and criminal liability for violation of tax laws.

The subjects of legal taxation on the one hand are government bodies, on the other - taxpayers. The nature of this relationship is the most diverse. From an economic point of view, these are relations connected between the state and tax payers about the maintenance of the state and the implementation its public functions. But from the point of view of the functioning of the entire tax system, we can see that these are relations that develop between persons who possess and create material values, and those who withdraw their part in favor of the state, i.e. this relationships are not of an economic nature, because here there is no exchange of commodity values or the creation of material values, but a redistribution of these values. Such relationships are public and can be characterized as managerial. Management relations are not related to equivalence between the participants, but to the optimization of social or corporate relations, the object of which may be economic, social, organizational, political and other relations.

The subjects of the mechanism of tax relations are government bodies and tax payers.

Tax payers can be in the form of legal entities and individuals. In this case, legal entities are organizational units that have property, are involved in civilian traffic and are legally responsible for their activity. For tax relations, it does not matter whether, by its characteristics, a legal entity is an organization which aim is to generate income or is it a non-profit organization. Another thing is important: whether they act as persons with taxable items or not.

As legal entities, such organizations are vested with legal status, which includes rights, obligations and guarantees. In the sphere of taxation, the rights of a legal entity are represented by law and provide an opportunity for it to carry out independently activities related to taxation (the choice of a taxation system, independent assessment and payment of taxes). The duties of a legal entity in the field of taxation are clearly defined by law. It is the obligation to pay taxes, determination of the objects of taxation, the amount of taxes, the timing of payment of taxes and so on. Guarantees act as a catalyst in the system of tax relations. Guarantees protect the interests of subjects of tax legal relations from violations by other persons. First of all, they should include norms that rely on the illegal actions of the parties. This is especially true of state bodies that, using their privileged position, often violate their authorities, most often by means of verification acts that directly or indirectly contradict the law. The guarantees are also expressed in the possibility of challenging the actions of the tax bodies on the facts of their activities with respect to the subjects of taxation.

The last element of the mechanism of legal regulation of taxation are acts of direct realization of rights and obligations. The peculiarity of these acts in the field of taxation is their individual legal nature (another name for these acts is illegal). They are characterized by the fact that it is addressed to a particular taxpayer. Such acts are issued, as a rule, by government bodies that perform tax functions. Most often, these are acts of verification of business entities, an act on installment payment of taxes or a tax credit, an act on verification the subject of taxation. Thus, acts of realization of the rights and obligations in the field of taxation contribute to the movement of tax legal relations, where the parties are obliged to perform certain actions. This provides the ability to perform duties in tax relations and compliance with legal prohibitions.

An important requirement for individual legal acts is the compliance with the legality both in the form of the act and in content. These acts, although they are legal, at the same time, by the nature of the interaction between state bodies and tax payers, are acts of state administration, and they refer to the part called regulatory. Non-compliance with the requirements of legality should lead to defects in acts of management in the field of taxation by recognizing fully or partially invalid. An act can be assessed as invalid if it directly contradicts the law and in this case should not be executed. In the sphere of taxation, such a situation happens, but it is difficult not to execute it for the tax payer, who is under the pressure of the tax and other government bodies. Therefore, it is more acceptable to challenge such acts in court.



It should be kept in mind that the court's decision only fixes the fact of cancellation of a disputable act without any consequences, e.g. for the tax body. And if there are no consequences, then there is a direct meaning to issue such acts. It seems that the court's decision should not only repeal the contested acts, but also bring the officials to justice to various types of legal responsibility. Thus, the mechanism of legal regulation of taxation is a system of elements with their connections between the subjects of the tax sphere, which are mediated by law, in contrast to the fact that legislation is usually considered as the mechanism of legal regulation.

### **Conclusions**

Analysis of the relationship between taxes and law shows that they are phenomena that are interlinked, enrich each other, create a qualitatively new entity and significantly affect the socio-economic state of the state and society. A theoretical analysis of the comparative characteristics of taxes and law shows the similarity of their elements. The interrelation of taxes and rights enriches them, creates qualitatively new formations and significantly influences the social and economic development of the state and society. The law has the potential to influence through taxes on the development of the economy, taking into account the objective nature of economic rules. The presence of similar signs of law and taxes does not mean that these phenomena are identical. These phenomena are diverse, having a different essence, but the presence of similar features makes it possible to speak about their convergence.

Based on the essence of natural law, it can be argued that taxes are a measure of justice and freedom between the state and society. The interaction of taxes and law leads to the creation of a mechanism for the legal regulation of taxation, which includes: the norms of the law, legal relations and acts of application of the norms of law.

The mechanism of legal regulation of taxation is a system of elements with their connections between subjects of the tax sphere, which are mediated by law, in contrast to the fact that legislation is usually considered as the mechanism of legal regulation.

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**SOCIAL AND ECONOMIC, AND LEGAL PRECONDITIVES OF THE RISK OF  
ILLLEGAL TAKEOVER**

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**Abstract.** *The theoretical and methodological provisions of organizing anti-illegal takeover activities under the conditions of enterprises and organization and providing of economic security at the enterprise are considered. The work represents the causes and the origin of the occurrence of raids. Economic and legal means of protection against raider capture of the enterprise are considered. Legislative contradictions are noted as a factor of economic uncertainty and instability of industrial relations and the emergence of property disputes in entrepreneurial activity. The essence of property disputes and conflicts in corporate enterprises as a source of raiding is revealed; the role of participants in corporate entrepreneurship and the legal relationship between them; property interests and rights of participants in corporate entrepreneurship as a source of disputes and conflicts and corporate responsibility for violating the rules of the current legislation..*

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**JEL Classification: M 21**

**Introduction.**

In the changing environment and unstable development of the national economic system, domestic industrial enterprises are constantly faced with a large number of threats to their functioning. The priority task for each business entity is to build an effective system of economic security of an enterprise that can provide sustainable development and protect against possible negative factors or minimize their impact on the company's activities. The issues, concerning the conceptual framework of economic security of industrial enterprises, are extremely relevant under modern economic conditions.

Economic security of enterprises and businesses is a relatively new direction in the development of economic science. The necessity of its permanent maintenance is predetermined by the objectively important tasks for ensuring the stable functioning and the main objectives of its activity achievements for each agent of the economy. Currently Ukraine has established a number of legislative and regulatory frameworks aimed at regulating business-to-business relations that are improving systematically and continuously, filling gaps in one or another area of economic life.

It should be noted that the actual lack of awareness with current legislation by entrepreneurs and businessmen and its imperfections often leads and provokes not only to commit abuses by entrepreneurs themselves, but also in many cases, for the purposeful use of imperfect legislation for property and financial enrichment. In Ukraine, it happens especially in recent years. There are a lot of cases, when individual entrepreneurs, abusing their position in order to receive not only profits but also their own benefits in the form of property, again using not the perfection of legislation, violate the rights and legitimate interests of their colleagues, other entrepreneurs and raider methods capture their property, property, finance, etc.

Legal services are usually created at large enterprises with the purpose for financial and property protection against possible misconduct on the part of other individuals, including raiders. Small firms and businesses practice attraction of specialists, such as lawyers, who carry out legal support of business activity of the enterprise. And as practice shows, they are not effective in terms of bribery and corruption, etc.

Article 42 of the Constitution of Ukraine establishes the right of every Ukrainian citizen to entrepreneurial activity; and foreigners are not excluded. This right is provided as to legal persons, such as enterprises, institutions, organizations of all forms of ownership, as to individual individuals without citizenship. Entrepreneurship is carried out on the basis of a free choice of entrepreneurial activity, the self-formation of the activity program etc. In its turn the state guarantees all entrepreneurs, regardless of their organizational legal forms of activity, equal rights and equal opportunities for attracting and using logistical, financial, labor, informational and other resources.

In order to create favorable organizational and economic conditions for the development of the enterprise, the authorities in accordance with the procedure provided for by law, in accordance with Article 48 of the Civil Code of Ukraine, provide land plots to entrepreneurs, transfer state property under certain conditions, and create other possibilities. However, the facts of abusive raider attacks are becoming more widespread. The authors believe that this evil is, in many cases, rooted in abysmal legal ignorance, covetousness, which should be avoided by general educational means. This work is dedicated to this topic.

### **1. Legislative contradictions as a factor of economic uncertainty and instability of industrial relations and the emergence of property disputes in entrepreneurial activity**

The adoption of the new Civil and Commercial Codes (January 1, 2004) marked a new era for the national system of law. The aforementioned legislative acts have become a new basis for the development of its key sectors. However, the fact of adopting codes also had the opposite side: any defects of such fundamental documents became crucial, since all regulations should be based on them. It is for this reason that the Civil and Commercial Codes must be unambiguous, understandable, and devoid of defects.

The analysis of the Codes shows that they really contain serious problems. There is a significant risk of conflicts caused by the intrinsic shortcomings of the Codes and the contradictions between the Codes and other legislative acts. In accordance with the Constitution of Ukraine, the Commercial Code of Ukraine establishes the legal basis of economic activity (management), which is based on the diversity of economic entities of different forms of ownership. The purpose of the Commercial Code of Ukraine is to ensure the growth of business activity of business entities and the development of entrepreneurship. And on this basis, to increase the efficiency of social production, its social orientation in accordance with the requirements of the Constitution of Ukraine, to establish social economic order in the economic system of Ukraine, and to promote its harmonization with other economic systems.

Civil law regulates civil relations, based on legal equality, free expression of will, property independence of their participants. As a result, the following problems arose:

Each Code contains provisions that are inconsistent with other provisions of the same code: 1) There are significant contradictions between many provisions of the Civil and Commercial Codes that govern the same issues; 2) There are contradictions between the provisions of the codes and the relevant legislative acts; 3) Some positive ideas of codes can't be implemented into practice due to gaps in the relevant legislation.

The abovementioned problems impede the normal conduct of entrepreneurial activity in most spheres of the economy; make legal regulation of some legal relationships and legal protection of the interests of the participants of the economic sector impossible. In addition, the large number of gaps in Ukrainian Civil law does not leave the state bodies and courts quite different way than an independent interpretation of the content of laws and it promotes the spread of corruption among public authorities and unfair competition among economic entities. In this regard, the Commercial Code represents the greatest threat to the development of a free market in Ukraine, because its origin and regulatory methods are more peculiar to the former command and administrative economy than they are directed in order to support new market economy in Ukraine.

By January 1, 2004, the old Soviet Civil Code, adopted in 1963, had been the main Act of Civil law in Ukraine. It should be admitted that, after years of Ukraine's Independence in 1991, the Parliament of Ukraine attempted to revise certain provisions of the old Soviet Civil Code. However, in general these local efforts were not able to change the content of the document adequately to that extent, which was necessary for the unhindered functioning of a market economy in a country, which until its Independence, knew only the command economy. Attempts to resolve the problems of establishing a system of market economy law on the foundations of the basic legislative act of the command-administrative system by adopting sub-legal acts in the course of the incidental process again, proved unsuccessful.

Ukraine finally realized that in order to build the legal infrastructure needed to support a market economy, it is necessary to change the foundations of this legal infrastructure. It was for this reason that two new Codes were adopted (the Commercial Code and the new Civil Code) and entered into force in 2004.

Despite the different names of documents, they both regulate many issues of entrepreneurship. The scope of the Civil Code is, of course, wider than the scope of the Commercial Code. In addition, the Civil Code regulates a much wider range of issues from the legal definition of an individual to property rights and economic relations. On the other hand, the Commercial Code is specifically focused on economic relations.

Ukrainian legislation supported the concept of property rights, defined as "collective ownership," according to which a group of corporate owners or legal entities owned property rights and no legal person had exclusive property rights until 1991. Part 10 of the Commercial Code accepts this form of property ownership that any participant, but only a collective ownership form, enters into the authorized fund of such a type of enterprise in exchange for a shareholding in such an enterprise. After having such property, it becomes the collective property of all participants of the enterprise of collective ownership, however, at the same time it remains "separate" and is defined as the former property of the participant who brought it. However, when a participant leaves a collective ownership form, the property, which has been brought by him, returns to him. Hence, he loses his status of collective ownership and it becomes a private property again.

Section 1 of Book 3 of the Civil Code proposes quite different approach. The property, added to any enterprise, becomes the private property of the enterprise itself. After the entry, it does not remain separate and it is not identified with this particular participant. Moreover, after the participant's exit from the enterprise there is almost no guarantee that the concrete property, which such participant has brought, will be returned to him. The enterprise pays the participant, who leaves, the value of his contribution according to the own estimation of the enterprise itself. This creates a certain risk for any member of the company: when leaving the company, this participant is forced to rely only on the integrity of his business partners in the matter of fair assessment of his contribution and payment of his value of the latter upon withdrawal. There is also a problem, which can lead to conflicts between business partners, regarding to which of options should be applied to the participant, who is coming out: the return of the property itself or the payment of its monetary value. In this regard, the provisions of the Civil Code are more consistent with "western" legal practice. However, it may be worth considering ways to resolve issues regarding to dishonest partners, who make an unfair payment or do not reimburse the value of a participant's property that goes out of the company's members at all. For example, the Civil Code could be supplemented by provisions that would ensure the participant's rights to an independent and fair assessment of his property rights after leaving the company and / or a guarantee of the participant's right to return his contributions after retirement rather than cash.

Considering the fact that the scope of the regulation of the Civil and Commercial Codes are partially consistent and these two legislative acts govern many similar issues, it is necessary their definition of the regulation subjects to be identical. As it can be seen from the discrepancies in the provisions of the codes about the definition of the types of legal entities, which they allow creating in Ukraine, today the situation is different:

- Article 79 of the Commercial Code defines the economic partnerships that it allows to create in Ukraine, as well as Article 113 of the Civil Code, however, the definitions given in these two articles are not identical.

- The Commercial Code contains the terms "entity" and "economic organization." The civil code does not contain such terms. Therefore, the validity of these terms can be challenged.

- Article 115 of the Commercial Code defines a legal entity in the form of a "lease enterprise". The Civil Code does not mention the form of organization of a legal entity.

- Several provisions of the Commercial Code, for example Articles 63.1, 113, and 128.3, refer to a legal entity in the form of a "private enterprise". The Civil Code does not allow the existence of a legal entity in such an organizational form.

- When one code indicates that a legal entity can exist in a certain organizational form, while another code does not recognize such an organization, the legality of the existence of the legal form of such a legal entity can be appealed. The most acceptable business solution to this problem would be to amend the Commercial Code with the simultaneous inclusion into the Civil Code of all those organizational and legal forms of a legal entity permitted by the Commercial Code, but not mentioned in the Civil Code. As a result, choosing the appropriate organizational and legal form will become more secure for market participants by resolving the conflict between codes, and will be expanded by increasing the choice of forms of organization of a legal entity that are permitted by the Civil Code. As a result, choosing the appropriate organizational and legal form, it will become more secure for market participants by resolving the conflict between codes, and it will be expanded by increasing the choice of forms of organization of a legal entity that are permitted by the Civil Code.

The purpose of adopting any code is the desire to provide comprehensive regulation of its subject area. Nowadays Ukraine has two codes, the areas of application of which are partially intersect: The Civil Code covers, but is not limited to, regulatory regulation of entrepreneurial activity; and the Commercial Code is focused on legal relationships in the field of economic activity. This leads to the fact that business issues are subject to double regulation. None of the codes is not fulfilled by comprehensive regulation. Therefore, in order to answer the numerous questions that arise in the process of daily business, it is necessary to address both codes at the same time. Although this scheme is illogical, it could still be workable, if codes in some cases did not deny each other, in other cases they did not leave the legislative gaps and generally did not contain fuzzy and ambiguous provisions, which, unfortunately, are in reality. For example:

- Article 291.3 of the Commercial Code allows early termination of lease agreements on the grounds, provided by the Civil Code, but in accordance with the procedure, established by Article 188 of the Commercial Code. In accordance with Article 291.4 of the Commercial Code, the consequences of such termination are specified in the Civil Code.

- Article 265.6 of the Commercial Code stipulates that the relations of business entities do not know what the law requires, but the state bodies, that ensure its implementation, often do not know. It is difficult to imagine a more unfavorable environment for the activities of business entities and the development of entrepreneurship.

-Chapter 14 of the Civil Code describes the types of securities that can be traded in Ukraine and the procedures for dealing with these securities. The stated chapter classifies financial instruments such as bearer securities, registered securities, or warrants. Article 197.5 of the Civil Code stipulates that only the warrant security may be transferred by endorsement.

Article 163.3 of the Commercial Code directly contradicts the Civil Code, recognizing only two types of securities: registered and bearer. In addition, this article states that only registered securities may be transferred through the endorsement. The conflict between the two codes is obvious. In this case, it is necessary to leave these provisions of the Civil Code unchanged and amend the Commercial Code. However, the numerous contradictions between the Economic and Civil Codes are not the most important argument in favor of editing some articles of the Commercial Code. The main problem of the Commercial Code is that it allows the state and its bodies to interfere into the business sphere, which undermines the development of private entrepreneurship in Ukraine. While the Civil Code establishes the legal basis for the maintenance of free market economy and restricts state interference into business, the Commercial Code often takes the opposite position, aimed at sanctioning and facilitating state intervention in the economy.

In order to illustrate the above statement, it is worthwhile to consider Chapter 8 of Section II of the Commercial Code, which regulates the activities of state-owned enterprises in the Ukrainian market. The problem with chapter 8 is that it is often difficult to understand when the code states on public authorities are authorized to perform public administration functions and when the code states about state-owned enterprises, which are independent market participants. These two concepts have a tendency to merge that leads to the fact that the Commercial Code actually allows the State to act on the market directly through a trusted state enterprise: for example, the state has the right to hire and dismiss executives of state enterprises and direct the activities of these enterprises as their owner.

As a result, the Commercial Code offered an updated version of the old concept of "socialist enterprise," where public authorities were engaged until 1991, when most enterprises were state-owned. This situation could be considered normal one until 1991, when most of the enterprises were state-owned. However, currently the main participants in the market are non-state actors, who compete in the declared free market. The state of affairs, in theory, should support and encourage the government. However, the Commercial Code holds the opposite.

When state agencies become business rivals of non-state enterprises, one can be confident who will remain the winner.

After all, the state is not limited, for example, only in lobbying for the adoption of normative legal acts that are beneficial to it, it can actually adopt and create the norms necessary for it. The state can provide state enterprises with loans, grants, tax benefits and any number of other tangible and intangible benefits. As a result, state and non-state actors compete not on fair opportunities. It becomes a problematic situation, which has recently developed in the economy of our state.

The structure of state-owned enterprises, which is established by the Commercial Code, is rather non-transparent. For example, Article 142.3 of the Commercial Code stipulates that the procedure for the use of the profit of state enterprises shall be established in accordance with the law. However, this definition is so vague that it loses any meaning, since the code does not give any reference to the aforementioned "law". It is easy to predict that the possibility of using the profits of state enterprises without any control will bring negative result, because there is no effective monitoring mechanism. In addition, even if it were, then there would be still no real law on the use of such profits, the implementation of which would be difficult to control.

This situation, in which the state is competing for profits with non-state actors through its state-owned enterprises, also creates a conflict of interest for civil servants themselves. Once the state has set itself the goal of generating profits, its employees may be tempted to "replenish" their budget salaries and receive some "profit" at the expense of non-state enterprises themselves. As an option, state-owned enterprises can be provided with inflated tariffs. Government agencies, that own state-owned enterprises, may be asked to push non-state actors to pay such high prices, threatening them with administrative checks, sanctions and other pressure measures to enforce their claims.

In view of the above, Article 43.4 of the Commercial Code is very indicative. It allows civil servants and officials of public authorities to be engaged into entrepreneurial activities with the only one exception: they may be asked to suspend their business activities at the time of announcement of a state of emergency or war. It is obvious that this provision violates the imperative rule enshrined in the second paragraph of Article 42 of the Constitution of Ukraine, which states that the entrepreneurial activity of officials and public servants of state authorities and local self-government bodies is "limited by law."

Unfortunately, the above problem is not the only one exclusion in the Commercial Code. It contains many other provisions that are more specific to the planned, but not market economy, as discussed in Article 6 of the Economic Code. For example, Article 11 of the Economic Code provides for the adoption of laws on the forecasting of the economic situation and the preparation of government programs for the management of the development of the Ukrainian economy.



Article 11.5 of the Commercial Code allows the state to deprive enterprises, which do not adhere to the state plans in the economy, certain established privileges, and benefits. Moreover, Article 13.4 of the Commercial Code authorizes the Cabinet of Ministers of Ukraine and government departments to establish state tasks that are mandatory for economic entities. All of this has signs of planned economy. The provisions in the preceding paragraph are unfavorable for the development of entrepreneurship in market economy. They practically keep the enterprises of the non-state form of ownership, forcing them to move only as it is directed by the state. If such and similar provisions remain in force, non-state actors will be deprived of the opportunity to choose the path to a successful placement of their capital.

The remains of doubts as to the true nature of the Commercial Code disappear after reading Article 142.4 of the Commercial Code. This article allows the state to apply norms, taxes, tax breaks, and economic sanctions precisely in order to influence the choice of business entities to use their own profits. Although such a "stimulation" is not something completely new (for example, in Western countries with a market economy), one should bear in mind that in the context of Ukraine, with its history of planned economy, "leverage" may be far from innocent in comparison with their western counterparts. For example, nothing in the wording of Article 142.4 can prevent a state from influencing the entity's behavior by introducing super-tax rates on profits derived from unwanted economic activities. The economic code actually gives full freedom to the state to use economic instruments in the way, which it deems necessary to force private enterprises to act, as the state deems appropriate.

The given examples sufficiently illustrate the origin of the Commercial Code and give convincing arguments in favor of its complete editing. When a document hypothetically created to promote free market (see Article 6 of the Economic Code again) contains entire chapters devoted to the actual implementation of the planned economy, such document clearly needs to be revised. The Parliament of Ukraine made unsystematic attempts to improve the old Soviet Civil Code in order to turn it into a progressive "capitalist" normative document. Instead of repeating the mistakes made by the Parliament of Ukraine, it would be expedient for the Parliament to adopt the most acceptable decision, namely the complete revision of the Commercial Code and the beginning of all work on a clean sheet. In addition to the issues discussed above, the Commercial Code as a document regulating economic activity in Ukraine has many other problems.

The Commercial Code takes two contradictory positions regarding the legality of a unilateral termination of an economic contract. On the one hand, Article 188.1 allows unilateral termination of the contract, unless otherwise provided by the contract. On the other hand, Article 207.2 stipulates that when a treaty contains a provision allowing a unilateral termination of its operation, such act is illegal. The adoption of the new Toll Code has been a significant step forward in the process of developing the legal system of Ukraine.

The principles of this document contribute to the country's progress towards a genuine free market economy. The main purpose of the Civil Code is to lay strong foundations for regulating the main areas of civil law. On the basis of these foundations, by-law acts should be adopted. The Civil Code serves as the basis for most of the legislation of Ukraine, it is necessary its provisions to be unambiguous, clear and devoid of flaws, irresistible, otherwise, the effectiveness of the implementation of legislation based on the Civil Code will be questionable. However, the practical application of the Civil Code has shown that it is far from perfect. In addition to having conflicts with the Commercial Code in it, the Civil Code also contains numerous ambiguous and controversial provisions that lead to impediments to the development and functioning of entrepreneurship in Ukraine.

Article 191 of the Civil Code defines an enterprise as a single property complex and establishes that an enterprise may be the object of purchase and sale, mortgage, lease and other actions. However, Chapter 7 of the Civil Code, which regulates the legal status of legal entities, does not even mention the "enterprise". Therefore, there is no separate type of legal entity or organizational-legal form that could be called "enterprise", that is so often used in Ukrainian law. Consequently, it is impossible to determine precisely what the "enterprise" really is. The Civil Code also does not give any example of using the definition of an enterprise set forth in Article 191. Section one of the third work of the Civil Code, which regulates property rights, does not mention an enterprise as an independent object that can be owned. This is not in accordance with Article 191.4 and complicates the understanding of how exactly it is possible to alienate an enterprise permitted by Article 191.4. Therefore, amendments to the section of the first third of the Civil Code should be made, which would clearly indicate that the enterprise can be owned, the ownership of the enterprise can be transferred, etc. Accordingly, Chapter 7 of the Civil Code must also be amended to include the definition of an enterprise as a separate organizational form. Due to the above reasons, Ukrainian civil law needs improvements, which should be carried out in the following areas:

- thorough review of the most significant conflicts between the provisions of the codes in order to streamline the legal regulation of civil legal relations. In most cases, conflicts between the Civil Code, the Commercial Code, and other normative acts must be resolved in favor of the Civil Code. However, in some cases, the Civil Code also needs to be amended;

- adoption of all non-existing legislative acts, references to which are contained in the Civil Code. The most important of them are the draft law on private international law and the law on joint-stock companies.

Civil law of Ukraine forms the basis of system of law as a whole. As for the business life of the country, civil law lays down the basic legal principles necessary for the functioning of the market economy, for example: the principles of the organization of contractual relations, property rights and property rights, as well as the legal status of legal entities and individuals. It is on this basis that the rest of the laws of the country are based, and it depends on their proper functioning.

## **2. Property disputes and conflicts in corporate enterprises as a source of raids**

In practical activity of enterprises, it is often necessary to have conflicts concerning the share in the statutory fund of business associations. As a rule, this is due to the fact that the age of business partnerships created with the participation of privatization certificates has exceeded ten years, and it is quite understandable the desire of shareholders or founders to know what property has a company today. I mean small shareholders, or founders who do not have access to information, and have no employment relationship with the established company. Publications in the media about a major raider war wake up the founders and shareholders, and they seek to find out in what state their company, in which they have invested property certificates. These aspirations are natural and understandable. It is not a secret that the general meeting in many societies is not carried out, the alienation of property issues are resolved by the executive bodies of business associations, and simple members of these societies remain aloof, so to speak, "in their interests." This mainly refers to enterprises, which are known previously as wholesale and retail enterprises and household consumer service companies. There existed an extensive network of shops or workshops, which in the future were merged into a new form of one or another economic partnership for joint business at the time of the establishment of such enterprises,. Over the time, the premises of shops or workshops were alienated or transferred to a long-term lease provided the right of redemption. The money derived from such operations, was aimed at carrying out financial and economic activities. Nevertheless, the trouble is that most of the participants of the societies do not have the fate of such alienations. Instead of convening a general meeting, representatives of the executive body come to the participants' houses, and privately collect the required number of signatures.

The participants themselves are concerned about the essence of their signatures by various protocols and statements. It turns out that according to the documents of the company's activity "rages", the necessary protocols are conducted in strict accordance with the provisions of the statute and the current legislation, but in fact everything is reduced to the usual fiction. The solutions on certain issues, adopted in this way, are very often obscuring, and their true significance for the petty participant is unknown. And these questions mainly concern the ownership of business partnerships. What have millions of ordinary citizens, who have become more than ten years ago the founders of new economic entities, to do in such cases? Our compatriots address the same question for legal assistance: "How to influence the director of an enterprise, who, in fact, is solely a unique owner and he disposes property of the company, leases or sells it, while receiving certain dividends. But they are of no use s there? ". It's important to say that the issue is complex and many-sided, and the actions of regulations, governing the activities of societies, are not always steadily fulfilled. In our judicial system, such precedents, that affect the corporate interests of the members of the societies, are sufficiently known. The range of cases before the courts is quite complex and varied.

The current legislation distributes corporate rights to property and non-property ones. In this regard, property rights are the most important part of the general concept of corporate rights, and the realization of property rights is a component of corporate legal relations. Let's consider in more details what concerns the occurrence of property disputes in corporate legal relations.

Typically, members of a business community are potential opponents of the company itself. According to Article 114 of the Civil Code of Ukraine (hereinafter referred to as the CC of Ukraine), the participants of economic partnerships may be natural or legal persons who are citizens of Ukraine or foreigners. Law may establish the restrictions for participation in business partnerships. For example, the Law of Ukraine "On Securities and the Stock Exchange", which states that the stock exchange may be set up not less than by 20 founders and security traders. The indicated founders should have the permission to carry out commercial and commission activities with securities. The indicated founders should have the permission to carry out commercial and commissionable activities with securities. That is, restrictions on participation in business partnerships can be provided by special requirements, which have both quantitative and qualitative restrictions to the founders of a business partnership. Creation of an economic partnership, except common and command, is possible by one person, who becomes the one only participant. Ownership of property proceeds from the features of a legal entity and it has an independent property liability, characterized by the presence of isolated property. The property enshrined in a business society creates the necessary basis for its normal, profitable activity. According to Article 115 of the Civil Code of Ukraine, the economic partnership may be the owner:

- of property transferred to him by the participants (founders) of the partnership as a property, as a contribution to the authorized capital;
- of products issued by the company as a result of economic activity;
- of received income;
- of other property acquired on the grounds not prohibited by law.

Money, securities, other things or property, or other alienated rights having a monetary valuation, if law provides the other, may be contribution to the statutory (united) capital of an economic partnership. The monetary assessment of the contribution of the member of the economic partnership is carried out in the knowledge of other members of the company, and in some other cases, subject to an independent peer review. The participant receives a kind of compensation, so called the corresponding corporate rights, by transferring to partnership's property contributions in the forms of buildings, structures, money or contributions in the form of certain property rights, in the form of the right to use property or intellectual property. For example, in joint-stock companies, these corporate rights are issued in shares, in limited liability companies in the form of a certificate of the right to a share (its part) in the authorized fund.

Assessment of the contribution of the participant (the founder) of the economic partnership shall be made in the national currency of Ukraine (UAH).

Let us consider this question in more details. On one hand, the property, submitted by a participant in a partnership in the authorized capital of an economic entity, is the property of a legal entity and the participant of the company has corporate rights to manage and participate in the profit of the company. In our opinion, it is not necessary to identify the property of the participant (the founder) with the property of the economic entity, where this citizen is a participant. When a question about foreclosure of a debtor's property as a participant in a legal entity arises, this difference is significant. Article 166 of the Civil Code of Ukraine provides a clear regulation of such possibility of recourse to a shareholder of a production cooperative. The Law of Ukraine "On Business Associations" gives an opportunity of a limited liability to a shareholder of the company (Article 57), a common partnership (Article 73), but as for joint-stock companies, the deals are formed in a quite different way. The shares of the joint-stock company, belonging to the debtor, are not part of the charter capital of the company, but they are only securities of nominal value that can be realized, including at market value.

Participants of the economic partnership have the right, in accordance with the procedure established by the constituent documents and the current legislation:

- to participate in the management of the company;
- to participate in the distribution of the company's profits and receive its share (dividends);
- to leave in the established order from the partnership;
- to make alienation of shares in the statutory (united) capital of the company, securities certifying participation in the company, in accordance with the procedure established by law;
- to receive information about the activities of the company in accordance with the procedure established by the founders' documents.

It is clear from the foregoing, that the members of the partnership are the owners of corporate rights. Therefore, they have the right to own a statutory fund (capital) of a legal entity, or a part thereof, including the right to manage, to receive the corresponding part of profit, as well as assets in the event of the liquidation of a legal entity. The Supreme Economic Court of Ukraine, in its cassation decision of June 15, 2005, confirmed the provision, that the ownership of the property of the company is possible only in case of the liquidation of a business partnership. Moreover, up to this moment its participants are the owners of their shares, but only corporate rights and not property of the partnership. This category of questions is of interest to stockholders, who believe that in case of withdrawal from the members of the partnership, they will have the right to exchange their shares into separate buildings and facilities since they have had a sufficient number of them.

Considering this issue in the legal field, it should be noted that judicial practice has reviewed cases, where the claims of members of the company for the allocation of a part in the joint property of the company, approving this ownership with a certain number of shares. Nevertheless, in the Chamber of Civil Cases of the Supreme Court of Ukraine, in this regard, there is their own opinion, because the rules of substantive law in the adoption of such decisions are violated, as the current legislation provides for the settlement of issues of payment of value of property at the exit of the participant from the partnership. This provision is enshrined in Article 54 of the Law of Ukraine "On Business Associations", which in its turn indicates the shareholder's participation in the statutory fund of the company, confirms its membership and the right to participate in the management of the company.

The participant of the partnership has the right to receive information about his activities. Information about events and events that took place in a business community, or the state is documented or publicly announced information. This information is posted in the financial statements, estimates and other documents of the company. In addition, the participant has the right to apply directly for receiving information to the company. Such an order is established in constituent documents. Methodological recommendations for the access of shareholders and other interested persons to information about the joint-stock company are approved by a decision of the State Commission on Securities and Stock Market dated January 26, 2005, No. 27. The purpose of these recommendations is to facilitate the approval of the company by the relevant internal documents aimed at meeting the needs of shareholders, potential investors and other stakeholders for access to reliable information about the joint-stock company and its activities. These recommendations proclaim the principles of transparency, regularity, efficiency, and availability in obtaining one or another information above entities of corporate relations.

The interests of a business community are defended against court not by a separate shareholder, whose personal interests may conflict with the interests of the company as a whole. A shareholder can protect his or her rights or legitimate interests by appealing to a court in cases of violation of them. The division of property interests of individual shareholders from the property interests of an economic partnership as a legal entity contributes to a more detailed consideration of corporate disputes arising on this ground. Moreover, one of the main issues raised by minority shareholders is participation in the distribution of profits and the receipt of dividends based on the results of the business community. As a rule, owners of large blocks of shares are not interested parties in paying dividends to minority shareholders, which in its turn is a gross violation of the corporate legal relationship and contradicts the very notion of corporate law. However, today's realities allow us to draw a parallel between the legally declared rights and the actual application of the current legislation. Non-payment of dividends is massive and obscured by the artificial non-profitability of the enterprise.

There is also the second option related to the essential need to increase investment. Therefore, the payment of dividends seems to be inappropriate and it is nothing more than the withdrawal of working capital. The payment of dividends by its very nature is the responsibility of the partnership with regard to its shareholders or founders. In accordance with the recommendations of the State Commission on Securities and Stock Market, the decision on payment of dividends should be made by a protocol with the following content of the requirements:

- the amount of dividends per share;
- terms of payment of dividends;
- terms of acceptance of statements of shareholders in the event of their agreement on the introduction of accruals to increase the authorized capital;
- method of payment of dividends;
- the procedure for payment of dividends.

Summarizing the foregoing, one can confidently state that numerous cases of non-payment of dividends, which the owners of large stakes manage, serve the interests of wealthy shareholders, and to some extent, become subject to abuse on their part. After all, business partnerships, in particular joint-stock companies, are created in order to profit in favor of all shareholders of the company. In addition, one of the main goals of creating an entity is to increase the welfare of shareholders in the form of increasing the market value of society's shares, created by them. Nevertheless, as we see, the theory often differs from practice, and the rights of shareholders' minority become unprotected, so on this basis there are many property disputes and conflicts.

Legislative regulation of relations between members of the societies involves normative acts' modeling of desirable behavior of persons of legal relationships and the establishment of sanctions, which imply responsibility for the violation of these relationships. By its very nature, a certain number of these sanctions has the nature of legal liability, which is implemented through measures of state coercion, and it includes assigning the offender additional responsibilities, which he has not previously had. The same sanctions are to deprive him of certain rights.

The complex nature of corporate legal relations, which involves both public and private interests requiring legal protection, is due to the fact that for the commission of offenses in the field of corporate legal personality can be brought to different types of responsibility, beginning from administrative and ending by criminal responsibilities.

Article 223 of the Criminal Code of Ukraine is a striking example, which provides for liability for violation of the procedure for issue (issue) and circulation of securities. The subject of this crime is:

- securities issued in the form of an open placement under the condition of registration of issue by the authorized state bodies;
- documents submitted for registration of securities issue.

In accordance with the current legislation, the subject of a crime may be a citizen or an official of a business entity. Participants, besides officials, are the relevant employees of legal entities, engaged in commercial transactions with securities, as well as employees of a legal entity, that maintains a register of securities holders. It can happen in case, if they have entered data on the holders of securities into the register, knowing that these securities are issued without proper registration.

Thus, a citizen may be the subject of this crime, if he, in particular, is the founder or shareholder of an economic partnership.

The Code of Ukraine on Administrative Offenses provides for liability for violation of the requirements of the legislation on the issue of securities (Article 163).

The company officials' involvement, who are labor relations, with him is possible in the form of disciplinary or material liability, as well as compensation for losses, caused by unlawful decisions of the bodies of the company to the participant, is carried out through bringing them to civil liability. The whole number of sanctions, applied for violation of legal norms, regulating the procedure for the creation, operation, liquidation of legal entities, their interactions with members (members) and participants (members) among themselves, are combined in the same general concept, so-called liability for offenses in the corporate sphere of legal relationships.

The violation of the law, which can be established in both general and corporate legal acts, is the basis of corporate responsibility. In addition, corporate responsibility consists in depriving the offender of a certain right or assigning additional responsibilities to him.

Consequently, corporate responsibility is a sanction that is used within the corporate legal relationship of a legal entity to its participants or participants to a legal entity for breach of corporate duties. Property and disciplinary liability of employees (including officials of the company) applies exclusively within the framework of labor relations, the sole ground for the emergence of which is the employment relationship. You can not involve disciplinary or material liability of a member of the partnership, if he is not in the employment relationship with the latter. Similarly, hired employee can not be liable for corporate responsibility, if they are not the party of it.

Summarizing mentioned above it should also be noted that the basis of corporate legal relations, which govern the relations between the members of the company and the company, itself, in the present legislation are concentrated in the Central Committee of Ukraine. Corporate responsibility standards are also enshrined therein. Thus, corporate responsibility is a form of civil liability. In addition, controversial issues, mainly, should be considered by civil courts.



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**Natalia Sytnyk***Doctor of Economics, Professor**Ivan Franko National University of Lviv,**Lviv, Ukraine**orcid.org/0000-0002-3970-086X***Olena Gerasymenko***Ph.D. in Economics, Associate Professor**Ivan Franko National University of Lviv,**Lviv, Ukraine**orcid.org/0000-0001-9089-2572***MANAGEMENT OF COMMUNICATIVE ASPECT OF MOTIVATIONAL  
PHILOSOPHY OF CIVIL SERVANTS IN PUBLIC FINANCE SYSTEM**

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**Abstract.** *The article is devoted to the actual issues of considering the peculiarities of communicative aspect of motivational philosophy of civil servants in public finance system. The basic tasks of the article are: research of communicative aspect of motivational philosophy of civil servants; consideration of communication features in public finance system; identification of ways to improve the motivation of civil servants in public finance system. Motivation provides proper working activities and promotes professional and career development of civil servants. For the country's integration into the global information space and its establishment as an influential subject of global information relations it is important to have processes of formation and effective implementation of the communication strategy of public authorities in general and civil servants, in particular.*

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**JEL Classification: H79, P35****Introduction.**

The formation of professional and effective system of public management, improving the welfare of citizens put forward new requirements for civil servants at all levels of government. The focus of the country to effective development, and if to talk about Ukraine, in particular, the focus to integration into the European Union necessitates increase of professional level of civil servants. So, the problem of motivation of their professional activities becomes more actual. Only sufficiently motivated government employees can form a professional and highly efficient civil service of the European sample.

The problem of motivation of professional activity of civil servants in public management system is researched in the writings of such scholars as Bondar V. [1], Glova I. [2], Karamushka L. [3], Malimon L. [2], Pavlyuk T. [4] etc.

Some aspects of motivational philosophy were the subject of research of Bukach A. [5], Habermas J. [6], Dragomiretska N. [5], Ibragimova I. [7], Kandahura K. [5], Shportko A. [8]. The questions of the nature and efficiency of functioning of public finance system are violated in science works of Blankart S. [9], Buchanan J. [10], Masgrav R. [10], Schuknecht L. [11], Stiglitz J. [12], Tanzi V. [11] etc.

The problem of developing the foundations for the formation of a state motivational policy for economic development is still out of the attention of domestic and foreign scientists. Also, the communicative aspect of the motivational philosophy of civil servants is still insufficiently researched. The main goal of the article is to consider the peculiarities of motivational philosophy of civil servants in public finance system. The basic tasks of the article are: research of communicative aspect of motivational philosophy of civil servants; consideration of communication features in public finance system; identification of ways to improve the motivation of civil servants in public finance system.

### **1. Communicative aspect of motivational philosophy of civil servants**

The effectiveness of civil servants, together with introduction of new technologies, creation of optimal organizational and functional structures of the public management system, depends on the motivational philosophy of their activities, which forms stable professional interests. And this allows civil servants to maximize the acquired professional knowledge and skills, inducing them to self-development and self-improvement. As a result, the level of adaptation of the civil service to the new challenges of time is increasing.

In theory, the motivational philosophy of each person is a complex phenomenon that has not been fully studied. There are many definitions of motivation, but all of them determine the process that occurs inside a person and prompts action, forcing it to behave in a particular situation in a certain way. The behavior of the person, as a rule, is directed by its most powerful need at the moment that it seeks to satisfy, while activating all her energy and opportunities. So, Kibanov A. J. sees motivation as a process of conscious selection of a particular type of behavior, determined by the complex influence of external and internal factors [13]. Egorshin A. P. defines motivation as the awakening of person to work to achieve the objectives. Influence of motivation on human behavior depends on many factors; it is very individually and can vary under the influence of motives and feedback with human activities [14]. Also, motivation is the combination of forces that exist inside and outside of person, which excite the enthusiasm and persistence in him when you perform certain actions. Motivation of civil servants affects their performance and focus to achieve organizational goals [15]. Motivation is the force, which is based on the satisfaction of certain needs, forces us to act with maximum effort to achieve certain goals.

One of consequences of insufficient attention to the motivational philosophy of civil servants is high employee turnover that leads to a decrease in stability of functioning of state authorities and non-stability in society.

Also, this situation affects negatively the effectiveness of economic, social, political, and spiritual transformations occurring in the country, and leads to a weakening of the social base of support of the state government, reducing its credibility.

Like workers in any other sector, the civil servants under the civil service also pursuing the achievement of their goals to consider in human resources management for their motivation. As international experience shows, the motivation of civil servants and officials of local government differs from the motivation of employees in the commercial sector. To the specific characteristics of labour activity of civil servants include: the direction of labour activity of civil servants on implementation of the national interests, to the strengthening and development of social and public order; high degree of responsibility of officials for made decisions, their implementation, results and impact; rigid normative regulation and control of labor discipline; involvement of intellectual and creative potential for the solution of management problems [16].

One of the areas of effective motivational philosophy of civil servants is the communicative aspect. So, effective communication (both internal between civil servants and external – between civil servants and public) helps to increase the level of motivation of public authorities' employees to do official duties, and also contributes to lower turnover rate. Thus, the main cause of the government's failure to implement a reform agenda to resolve the dynamic economic crisis is less of public policy support, a systematic partnership dialogue between government and business, and cooperation in public policy developing and implementing [7, c. 443].

In general, communications were carried out during the historical period of society development, but their scientific study began only from the beginning of twentieth century.

The danger of turning communication into an object of manipulation or commodity and finding out the possibilities to overcome this dangerous situation for society is related to the name of the German philosopher Jurgen Habermas. Thanks to his writings it became clear in contemporary philosophy that communication is an universal heritage of mankind and an important, fundamental condition of human existence. And traditionally encumbered by a number of dangers, faith to the power of scientific should yield to the confidence in the productive power of communication, which becomes the most complete embodiment in the struggle for social liberation, in honest social institutions of a democratic state.

A special place in the context of domestic measurement of world standards of communication of power, business and public belongs to the work of J. Habermas "Structural Transformations in Publicity", where he outlines the main stages of development of his theory of communication, its basic concepts and theoretical perspectives. Y. Habermas insists that getting rid of external coercion will help establish appropriate communication rules, the main of which is the fair distribution of the chances of the participants of communication and compliance with the rule of the "best argument".

The term "ideal communication" is also added here, in which communication is not distorted either by external or internal coercive, but constituted by the force of a better argument within the "ideal communicative community" (characterized by a symmetrical, fair distribution of chances for real understanding). A democratically organized community must achieve unity (consensus) through discourse (the practice of communicative relationships to achieve consistency and social consent in conflict of interests) [6].

With the purpose of purposeful influence on social processes, public management is carried out with the help of special bodies and organizations, designed to improve the integrity and structure of the social system, its optimal functioning and development. It is known that the main task of management is the regulation of behavior and activities of people, relations between them. The main elements of the structure of the management process are object, subject, means, and result of management. Thus, the essence of state management as an independent form of state activity should be understood as a system of elements of state power that has executive and administrative character and performs functions and tasks of the state in the process of regulation of the economic, social, cultural and administrative-political spheres [17].

Management communications are stable social interactions and interconnections of the participants of the management system, representing a complex of communicative exchange of messages, knowledge, and information for solving management tasks, goals, and strategies. It is a universal system that reproduces the order of the management social process, organizes and actualises the management process in the complex interaction of administrative and political organizations with society. Within the framework of the communicative system, various events related to the management activity unfolding within a certain social space are manifested. The result of communicative interaction is the creation of the main administrative-political and managerial institutions, the formation of the style of managerial interaction between the authorities and the population, ensuring the quality of managerial culture and the effectiveness of the management process. Communication between public authorities and society, the introduction of communication standards in the process of information exchange in a society based on fundamentally new principles of an equal, mutually responsible dialogue in the format of subjective horizontal relations is an indispensable condition for the democratic development of the state, formation civil society.

The process of public management communication contains components typical for any communicative act, in particular: subject-communicator (government bodies of various branches and levels of government); the message itself (official and unofficial information, verbal and non-verbal); recipient (society as a whole, various civil society institutions, individual recipient); channels for disseminating of information (interpersonal, institutional and mass media); channels of feedback (requests, appeals of citizens, various forms of political participation, etc.); process of coding-decoding of information (preparation of information messages, their adequate interpretation of the audience, etc.); various kinds of obstacles (technical, semantic, psychological) [18].

Important elements of managerial communication are also the motives and goals that are aimed at communication, rational nature, as well as the process of information transfer itself. It is an activity that, through various technologies and means, can transmit information from the highest authorities – to ordinary citizens and feedback.

Communications in public management perform a number of major tasks. First of all, it is providing the decision maker with reliable and timely information. The basis for such managerial decision is both objective information and factors of a subjective nature (personal experience, intuition, motivation, values). Equally important is the implementation of a qualitative transformation of information in terms of its type and scope so that it can be readily perceived and comprehended by the individual. The complex nature of communication in public management enables its typology to be based on different principles. Depending on the channels, communications are distinguished: through informal channels; through organizations; through the media [19].

Communication through informal contacts or interpersonal communication is one of the oldest ones that existed in primitive societies. However, now, in modern political systems with a developed network of mass media, it plays a significant role.

In this method, we can distinguish two main aspects. The first is connected with a situation where communication is carried out through interpersonal communication as the main channel of transmission or receipt of information. This channel is characterized by a significant emotional connection between the communicator and the destination, that is why it is sometimes much more effective than, for example, the media.

Another aspect of communication through informal channels is that interpersonal communication is included in the process of broadcasting and assimilating information through mass channels. Researchers argue that certain information through mass media is not directly perceived by the mass audience, but indirectly, through "thinkers" [20; 21].

They are more prepared for the perception of information, more informed, better than others are oriented in the flow of media messages and can always express their opinion on this or that informational occasion.

Therefore, media messages first come to the "leaders of thought", and then through interpersonal communication – to the mass audience. The method of state communication through organizations suggests that a kind of link between the managers and the guides are political parties that are intended to mediate the relationship between the political system and society, articulating and aggregating group interests. Another important channel of state communication is represented by mass media, which in the modern society play an increasingly important role in the dissemination of political information.

Characterizing the channels of information interaction of domestic authorities, it can be noted that the main channel of information in the system of government is just the media, thereby becoming, in essence, a strong tool of power for purposeful construction of political order.

## **2. Features of communications in the public finance system.**

Public finances include revenues and expenditures of central and local governments, as well as compulsory social insurance funds, and structural links between them. Ideally, the system of such finances should ensure that the state performs its functions effectively, and effective communication of civil servants will clearly contribute to this.

Modern Western science and practice suggest a new approach to reviewing and analyzing public finances in general, more appropriate to the current realities of development of world economy and financial relations at all its levels. A new approach is presented in particular in the "The new public finance" brief review, which presents the evolution of public finance from the "traditional" use of known fiscal instruments, through "updated" on the basis of various forms of public-private partnership to "new", taking into account new realities of development [22]. The content of the new approach is that modern realities open to science a new vision of public finances, connected with the erosion of borders between the national economy and the outside world, which leads, on the one hand, to the deepening of the interaction of private business and the public sector of the country, and from another – to the growth of competition between them, which goes beyond national boundaries in accordance with the global challenges of our time.

So, changes in the public finances of any country take place taking into account the blurring of borders within the framework of financial relations of different levels: national (national), private (private), public (public) and international [22]. This also applies to Ukraine, so it should not be discounted and ignored, but rather should be taken into account in the study of various aspects of public finances, which are now undergoing a significant transformation in connection with the implementation of a number of reforms by the Government of Ukraine in order to overcome the crisis processes in the country's economy.

Thus, it is possible to focus confidently on the two "traditional" components of public finances of Ukraine that reflect central (government) finances and municipal (local) finances, which are presented, first of all: within the fiscal system of Ukraine by public funds of funds: the State Budget (general and special funds of the budget) and target centralized budget funds; within the framework of the tax system of Ukraine, which is an instrumental component of tax finance at the national level and tax finance at the level of local authorities (local taxation), as well as public finances of non-financial corporations, other enterprises and organizations of state and communal property. The study of "new" public finance in the framework of modern Western science sets new benchmarks for Ukrainian financial science and practice for incorporating into the structure of public finances of Ukraine components that are related to contemporary development trends, which should focus attention.

Thus, it is worthwhile to highlight the component of public finance that is related to private sector finances and is represented by the relations of state authorities and local self-government bodies with private business, which is defined in the economic literature as public-private partnership.

Also, one should focus on the component of public finances that is related to the activity of financial corporations of state and local self-government bodies in the domestic financial markets, pointing out:

1) public finances that reflect the activities of public financial corporations in the domestic financial markets, including government domestic borrowing (public credit) and, in this connection, public internal debt;

2) public finances that reflect the activities of financial corporations established by local authorities in the domestic financial markets, including municipal domestic borrowings and, in this connection, local (municipal) domestic debt.

As part of the public finance structure of Ukraine, one more component that is related to the activity of financial corporations of state and local governments in international markets should be mentioned, while singling out:

1) public finances that reflect the activities of financial corporations of state authorities in international markets, including government external borrowings and public external debt;

2) public finances that reflect the activities of financial corporations of local governments in international markets, including municipal external borrowings and municipal debt to foreign entities.

The processes of communication of public servants in the field of public finances take place both in the public sector (national, local, as well as international), and in the system of interconnections between the public and private sectors. There are no such communications only within the private sector at different levels.

State communication in general and in the field of public finances, in particular, is a regulatory and coordinating mechanism in relations between the state and society in various spheres, ensuring the stability and efficiency of the functioning of the social organism as a whole. Among the functions of state communication it is expedient to note the following:

- conservation – is directed at preserving the status quo of state system, which promotes the stable existence of a social organism;

- coordination – is intended to ensure the coordination of power influences of the subject of management in accordance with the parameters of management object and their possible changes;

- integration – is connected with the implementation of such state policy that takes into account the interests of all elements of social system, and facilitates the development and adoption of agreed management decisions;

- mobilization – is directed at ensuring the legitimacy of existing social order, receiving support and approval of society for the approved management decisions;

- socialization – is associated with the assimilation of information exchange of socio-political norms, values and traditions of the state, and with raising the level of political competence of citizens.



The managerial function of information in the state is realized in the following forms: as a source of power, as a factor for regulating political systems and processes, as a means of political control and as a product of a managerial process. Different periods of the state existence update these functions in different ways.

For example, under the current socio-economic and political conditions for Ukraine, the function of reducing social tension, which is intended to ensure the further movement in the field of democratic transformations, can be seen among the most important ones.

Communication orientation can be external and internal. External organizational communication in public management is intended to influence society in order to obtain recommendations or coordinate positions with society representatives. This may be communication for the purpose of providing public services in order to discuss draft decisions that can not be adopted without the participation of public. Internal organizational communication primarily ensures management decision-making.

Modern state administration is based on the application of methods of strategic planning, strategic management and innovative approaches to civil service management. Setting tasks, monitoring the implementation of these tasks, analysis of the results achieved through the system of internal organization of information exchange – systems of internal communications. The controlling influence of the higher hierarchical structure is realized by direct connections with the managed system. The control of the implementation, the adequacy of the response to the managerial influence is determined by the information received by the feedback channels. Effective work of any organization is not possible without an accurate and timely exchange of information between employees and units. If people can not share information, they simply will not be able to work together.

Taking into account the specifics of functioning and the set of used technologies and methods of interaction, we can consider that other types of state communication are:

- depending on the branch of power (legislative, judicial, executive),
- depending on the level (national, regional, local),
- depending on the vector of the direction (vertical, horizontal).

The complexity of the phenomenon of state communication also enables its typology to be made according to such criteria as: content and purpose, possible social consequences, degree of accessibility, ratio with time (information about the past, in real time, forecasts of the future), the number of communicants (one-sided, bilateral, multilateral). Equally important for understanding the nature of communication when making managerial decisions, classifications can be considered on the basis of such features as relevance, reliability, efficiency, sufficiency and adequacy. A view from a different perspective on the typology of state communication (by the way of information interaction used by contractors of communication in the political and informational space) makes it possible to generalize all variety of actions in the form of two types: propaganda and marketing [23].

The propaganda type involves tight ways of controlling the consciousness of people. Propaganda tries to overcome the basic conscious limitation of the object of influence, thereby becoming a manipulative process. History shows that the state often used such manipulative techniques as misinformation (use of false information, the replacement of true information by false information, use of fictitious information), defamation, the technology of "white noise" (oversaturation of the information field), the technology of spin-doctor (the change of semantic accents of information), etc.

To overcome the possible negative effects of the use of such rigorous methods of information influence it's possible to use marketing strategies for building communication interaction, formed in accordance to laws of demand and supply for information services. These strategies traditionally include political public relations (PR) and political advertising.

Recognition of the specifics of the application of PR technologies in public management allows us to identify public relations with the management of the public interest by means of such coordination of interests, during which, on the one hand, the interests of the public turn into a favorable expectation of management initiative; on the other hand, the managerial initiative is brought into line with the expectations of the public.

The most complete PR and advertising technologies are implemented in government-sponsored marketing campaigns, which are an integral part of the democratic process of government decision-making.

### **3. Ways to improve the motivation of civil servants in public finance system.**

Managing the communicative process with business representatives at the level of state authorities raises the question of using the opportunities and ability of Ukrainian managers to adequately perceive and realize the communicative potential. But the experience of recent years shows that such actions are confronted with managerial mistakes when applying typical practices of introducing innovative communication technologies and new approaches to strategic communication.

Thus, the problem of implementation of communicative strategies for the development of interaction between state and business is actualized.

In the domestic practice the communication of subjects of public management is in the area of accumulation, storage and provision of information. There is no theoretical and practical training of professional communicators. There is a transfer of public management communications to the political area. The relevance of communications in public management is not reduced for many years. Communication practice in many countries of the world is based on certain theoretical concepts. Modern studies consider communication of the subjects of state management through the prism of government communications. There are publications that mention the importance for many countries of the EU communications plan for the development of social dialogue [5, p. 25].

Ukraine should take into account the experience of implementing effective communications with the authorities of developed democracies, namely, the development of institutional support for state communicative policies at the central level with the submission of the prime minister or the first vice prime minister [8, c. 93].

That is, in order to ensure effective communication between state and business in Ukraine, it is necessary to actively develop their communication policy bilaterally, which can simplify work for both parties. It is possible to implement this process by developing a State Communicative Politics Law; creation and support of the infrastructure of non-governmental organizations and centers of interaction with business, joint advisory bodies during the adoption of amendments to the legislation; introduction of innovative interactive and communicative technologies; application of Internet technologies in the process of conducting of web-seminars, web conferences on discussion of development plans, conducting of monitoring and analysis of public opinion by executive bodies, as well as timely response to suggestions and comments of business entities, implementation of joint projects of information, analytical, research, social orientation, etc.; introduction of system reports of executive authorities to public and business representatives.

The motivation of the work of civil servants can not be effective without the use of modern forms and methods of material incentives for staff. At the same time, incentives should be in line with the needs, interests and abilities of each individual civil servant, since motivation is the process of conscious choice of a civil servant of a particular type of behavior, determined by the complex influence of external and internal factors.

The system of stimulation of labor activity involves the optimal balance of working and leisure time, work and rest. Activation of exclusively material motivation leads to an increase in the intensity of work and the length of working time, as a result of which many workers have a sense of chronic weariness, experiencing constant nervous and emotional stress [24]. The main and determining factor of any activity is a person with his needs and opportunities to meet them, level of social and intellectual consciousness, value orientations [25].

Therefore, the problem of motivation should be considered through the human prism with its requirements, psychology and philosophy of life, life credo. That is, the starting point of management through motivation is the motives of employees. Motivation of employees is one of the most important tasks of the manager. It requires skill, assertiveness and understanding of human nature. A success is always achieved by a manager who has well-developed abilities to encourage employees to a higher level of tension of their efforts and, ultimately, to increase the work productivity.

An effective way to encourage staff to work is to inform it about expectations from the management of the institution. Every civil servant, without even realizing this, feels the need for a positive or negative assessment of his activity. This allows him to take corrective actions in the process of further work. Consequently, motivation is a process of inducing a civil servant to work with the help of a complex action of external and internal factors to achieve the goal of the state authority.

The composition and structure of motivation is complex, provides proper service activities, and promotes professional and career development of civil servants. Its components are: fair and transparent wages; promotion of a career ladder; conformity of professional training to the position; social security; objective and fair assessment of personal professional achievements; the possibility of creative, independent activity within the limits of official authority; material and technical and moral and psychological conditions of work; feeling of belonging to the team; possibility of effective internal and external communications.

The Law of Ukraine "On Civil Service" provides the promotion of civil servants for an impeccable and effective civil service, for special merits. In particular, there is an opportunity: to gratitude announcements; to award a diploma; early assignment of rank; government awards (greetings, gratitude, honorary diploma), etc [26]. Although the law "On Civil Service" forms the legislative basis of the modern civil service, but from the point of view of motivational support it will not be enough to realize the needs of civil servants. Problematic issues in the legislative sphere remain: imperfect system of civil servants motivation; social insecurity of civil servants; inconsistency of their status, material security and social protection of level of responsibility they impose. Thus, the Ukrainian legislation on regulating civil service activities undoubtedly needs further improvement.

### **Conclusions.**

Thus, in the near future, domestic and foreign scholars should draw attention to the need to develop a philosophical base as the basis for the formation of modern approaches in the field of motivation of civil servants in general and the communicative exchange between business and government representatives, in particular. This will clearly contribute to increasing the motivation of public servants in the field of public finances and will positively affect the quality of work of public authorities. Also, the system of motivation of personnel in the field of civil service should focus on the development of creative potential and capabilities of civil servants, their creativity, initiative, communicative, etc. Effective labor motivation should contribute to the formation of a civil servant capable to work in the context of the new world time challenges, focused on maximizing the results of his work, able to think creatively and to work with complete dedication and interest in achieving the high end results of government bodies.

Communicative interaction as a universal control system is directed at achieving the set of management tasks through communication, social, managerial influence on the audience, as well as receiving responses from this audience in the form of a verbal, ideological or executive response. Communication interaction between government and society contributes to the formation of a continuous constructive dialogue in order to ensure the legitimacy of the existing order and provide stability to it. Effective communication between public authorities and civil society (including in the field of public finances) is an important manifestation of the country's democratic development.

Through communication there is a feedback, when the authorities can not only better inform the society about their activities, but also learn about the assessment of this activity by the active population representing civil society institutions.

Today in Ukraine the main principles, tasks and strategic directions of state information policy are formulated and legally enshrined; state institutes of relevant competence are formed, and a number of concepts, programs and action plans are adopted. However, the system of communication interaction between state and society did not eliminate the diverse and inadequate coordination of the activities of various departments, and the main obstacle to creating the basis for the formation of a stable and secure communication space in Ukraine remains the inconsistency and lack of transparency in the implementation of the planned activities in the field of public management, including the field of public finance. For the country's integration into the global information space and its establishment as an influential subject of global information relations it is important to have processes of formation and effective implementation of the communication strategy of public authorities in general and civil servants, in particular. Authors plan to investigate the dependence of the improvement of communicative links between public servants and public and the change in the level of civil servants motivation over time.

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**LEGEND OF THE UKRAINIAN CINEMATOLOGY AND  
CINEMAPEDAGOGICS OKSANA MOUSSIENKO**

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**Abstract.** *The contribution made by legend of the Ukrainian cinematology and cinemapedagogics Oksana Stanislavivna Moussienko in the science of cinema and media pedagogy was analyzed, the creative and life path of O.S. Moussienko and her parents was studied, her track record with pedagogical activities in the field of cinematography at the Cinema Studies Department of Screen Arts Institute of the Kyiv National I. K. Karpenko-Kary Theatre, Cinema and Television University was reconstructed; O.S. Moussienko's best graduate students, Doctors of Philosophy (Ph. D.) on specialty 17.00.04 – Cinematographic Art, Television, who successfully defended their thesis before the Specialized Academic Board of M.T. Rylskyi Institute of Art Studies, Folklore and Ethnology of the National Academy of Sciences of Ukraine were named, her circle of research interests disclosed in Moussienko's writings was considered, O.S. Moussienko's best students at the Cinema Studies Department of Screen Arts Institute of the Kyiv National I. K. Karpenko-Kary Theatre, Cinema and Television University were named, and the list of her most important publication in culturological newspapers and magazines in Ukraine, in books and magazines in Ukraine and abroad was provided.*

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**JEL Classification: A30, Z10**

**Introduction.**

Problem formulation. Ukrainian cinema studies are rich in names of the prominent history scholars, theorists of screen arts, and cinema teachers whose contribution to the science of cinema is rich and diverse. The relevance of this research is due to the fact that, unfortunately, domestic researchers not often highlight the activities of those who devoted himself to the study of the cinema process, all its complexities, contradictions, and achievements.

Analysis of recent research and publications. The Ukrainian film scholars, with the exception of V. Skurativskyi [56], I. Zubavina [10], N. Moussienko [11], and O. Bezruchko [1–9; 59–67] have not conducted an in-depth study of life, creativity and cinema teaching activity of an outstanding Ukrainian movie scholar, a leading national teacher of screen arts, legend of the Ukrainian cinematology and cinemapedagogics, Doctor of Philosophy (Ph. D.) on specialty Cinematographic Art, Television (1973), Professor (2005), Honored Artist of Ukraine (1998), corresponding member of the National Academy of Arts of Ukraine (2001), laureate of the USSR Filmmaker Union awards (Ukrainian National Filmmakers Union) (1978 and 1987), Oksana Stanislavivna Moussienko, who has been chairing the Cinema Studies Department of the Screen Arts Institute of the Kyiv National I.K. Karpenko-Kary Theatre, Cinema and Television University for more than twenty years and teaching there for 50 years.

The scientific tasks of this chapter of the collective monograph are to analyze the contribution made by legend of the Ukrainian cinematology and cinemapedagogics Oksana Stanislavivna Moussienko in the science of cinema and media pedagogy; to study the creative and life path of O.S. Moussienko and her parents; to reconstruct her track record with pedagogical activities in the field of cinematography at the Cinema Studies Department of Screen Arts Institute of the Kyiv National I. K. Karpenko-Kary Theatre, Cinema and Television University; to name O.S. Moussienko's best graduate students, Doctors of Philosophy (Ph. D.) on specialty 17.00.04 – Cinematographic Art, Television, who successfully defended their thesis before the Specialized Academic Board of M.T. Rytskyi Institute of Art Studies, Folklore and Ethnology of the National Academy of Sciences of Ukraine, to consider her circle of research interests disclosed in Moussienko's writings; to name O.S. Moussienko's best students at the Cinema Studies Department of Screen Arts Institute of the Kyiv National I. K. Karpenko-Kary Theatre, Cinema and Television University, and to give the list of her most important publication in culturological newspapers and magazines in Ukraine, in books and magazines in Ukraine and abroad.

The purpose of this chapter of the collective monograph. Based on the problem, the objective of this research is to investigate and analyze the life path and the creative activity of the famous Ukrainian film critic and the teacher, legend of the Ukrainian cinematology and cinemapedagogics, the professor, the Honored Artist of Ukraine, the corresponding member of the National Academy of Arts of Ukraine O.S. Moussienko.

### **1. Life path and a creative activity of O.S. Moussienko**

Oksana Stanislavivna Moussienko's parents were very interesting and talented people, who have make their mark in the Ukrainian art, so let us have as a closer look at their fates.

The father, Stanislav Viktorovych Wyshynskyi, has worked at "Bilshovyk" plant and, like most of the young people, was in love with cinema and believed in the revolution ideals. Dovzhenko's "Arsenal" was the concentration of these objects of admiration, for it was an innovative film about revolution, therefore Wyshynskyi not only watched it, but also participated in its discussions [49, p. 340].

Due to O.P. Dovzhenko's recommendation, who liked the speech, Stanislav Wyshynskyi started working in Ukrainian cinema, in Odessa and Kyiv film studios (feature films studios), in the editorial board of the Ukrainian newsreel "Soviet Cinema", in Ukrainian cinema education, taught movie history at the Cinema Faculty of the Kyiv State I. K. Karpenko-Kary Theatre Arts Institute (currently the Screen Arts Institute of the Kyiv National I.K. Karpenko-Kary Theatre, Cinema and Television University) and Kyiv State O. Korniychuk Institute of Culture (currently the Kyiv National University of Culture and Arts).



According to O.S. Moussienko, “after the death of the great filmmaker, a museum of Dovzhenko was created at the studio bearing his name. Stanislav Wyshynskyi has also contributed to this noble and important cause” [50].

The mother of our heroine, Natalia Hryhorivna Kandyba, worked at the Kyiv State Ivan Franko Academic Theater, where she has played a number of leading roles, and in the Kyiv State Philharmonic, where she has become famous as a talented actress of the conversational genre [12].

Artistic genes of parents and their own love for cinema have prompted O.S. Moussienko to devote her life to screen arts and cinema pedagogy.

After graduation with honors in 1960 from Taras Shevchenko State University of Kyiv majoring in Philosophy and History, Oksana Moussienko has been teaching the basics of aesthetic education in vocational school No. 15 for five years.

A tender young teacher was able to not only find a common language with forty radio collectors not attuned to the aesthetic education at all, but also instilled in them love for art, in particular for cinema. Oksana Moussienko recalled that, despite all the difficulties, she made friends with her students, “We went to the cinema together, visited museums (Russian, Western Art, and Ukrainian). We even went to football matches. They bought me a ticket, and our whole group cheered the football players. I remember how they wrote me a review for “Electra” filmed by Euripides in 1962 by the Greek director Michael Cacoyannis. These were great days!” [10, p. 47]. This is how the pedagogical activity of O.S. Moussienko began.

After finishing the research degree at M.T. Rylskyi Institute of Art Studies, Folklore and Ethnography (IASFE) of the Academy of Sciences of Ukraine (1967–1970), O.S. Moussienko started working as a lecturer at the Cinema Studies Department of the same young Cinema Faculty of the Kyiv State I. K. Karpenko-Kary Theatre Arts Institute.

According to Academician Vadym Skurativskyi, “Oksana Moussienko, the movie scholar, entered the field where everything had to be started almost from the beginning. The young researcher came when a «moving picture» was somewhere around 80 years old. She started primarily with mastering the whole screen heritage of those years, watched and remembered almost all of its frames <...> From classic to other. <...> Oksana Stanislavivna comprehended what she saw very consistently and systematically, and placed it in a certain historical and cultural series-context, thus becoming a master of historical and cultural method applied by her to the realm of cinema of its first century. This method of the researcher inevitably, by its very presence, eliminated the local mental that is unreasonable, barbarism, both militant and any other.

The movie scholar was learning and studying, and afterwards she began to teach others, to teach the contextual nature of each cinema fact, from an individual frame to the major cinema strategies, both national and global” [56, p. 7].

Oksana Stanislavivna Moussienko repeatedly mentioned that she had received a ticket to the cinema pedagogy from the then rector of the Kyiv State I. K. Karpenko-Kary Theatre Arts Institute, a famous Ukrainian movie scholar Ivan Serhiyovych Kornienko, which could understand the people very well, “I am grateful to him for having believed in me; I had just defended my thesis then, and this job has become my life path. I am glad that my hobby and job are the same” [10, p. 47].

For over 50 years, O.S. Moussienko has been teaching in this institution, having become an associate professor in 1978, and a professor in 2005. From 1991 to 2013 that is for twenty-two years O.S. Moussienko has been chairing the Cinema Studies Department of the Kyiv National I.K. Karpenko-Kary Theatre, Cinema and Television University. It is the only department in Ukraine, where the best domestic cinema teachers educate the future movie scholars.

For many decades Oksana Stanislavivna Moussienko has been teaching the Cinema Faculty (currently the Screen Arts Institute) students to love the history of cinema. According to O.S. Moussienko, “Today my favorite activity is to watch classic movies with my students, to discover them again and again. It is not true that the movie is afraid of time. Real art gains an even more sophisticated taste, revealing new and unknown, helping to understand yourself” [10, p. 47].

As Oksana Stanislavivna Moussienko told to the research author, she had always been trying to include the discussion element in her lectures, since she wants to now the audience feedback and involve the students in the process of reflecting on a particular cinematic phenomenon. Certainly, Moussienko is trying to highlight the major trends of a certain period in the history of cinema, and as regards the details, she always tries to find something that the students are unlikely to find in the all-knowing Internet. This is usually associated with her scientific research [20].

For example, O.S. Moussienko worked at “Cinema” magazine in the All-Ukrainian Picture and Movie Office archives (1925–1933) and could not help sharing with her students the way, say, the Ukrainian filmmakers perceived achievements of the French avant-garde and German expressionism. According to her, it provides greater stereoscopicity in the vision of that uneasy stormy era in the cinema [19].

Moussienko can frankly tell students that objectively appraising the creative works of a certain classic, she does not perceive him/her emotionally. However, this does not mean she will impose her view of the audience. Thus, the auditorium, to paraphrase the saying a famous politician, is “a place for discussion”, but in such discussions O.S. Moussienko always requires her students to provide reasoning. Sayings “I like it” or “I do not like” can only belong to a viewer leaving a cinema after watching the movie.

Sometimes Oksana Stanislavivna Moussienko expands the scope of consideration of certain topics. The reason for this can be not only her finding of some new material, but also

the desire of the students to learn more about a particular genre (say, a “noir” movie) or a whole period (post-war British cinema) [20].

At the same time, she strictly requires students to watch the movies outside the auditorium. One of the Bologna system advantages is a special emphasis on independent work. Sometimes the lion's share of the lecture used to be spent for retelling the content of the movies, which the students could not watch, and the teachers themselves could do it with considerable efforts, only on missions to the All-Russian State Institute of Cinematography or the White Pillars (All-Union Movie Library). Now watching is not a problem. Internet allows finding almost any movie you wish, though the film distribution industry offers mostly foreign (principally American) movies. These are not only “one-day crafts”, but also the movies endowed with high artistic merit, which obtained festival awards and worldwide publicity.

TV also offers interesting movies in terms of art; however, they are often shown at night. The books on cinema art can also be found on the Internet, like the movie periodicals, so the flow of information on cinema expanded and became more accessible. And this fact, according to O.S. Moussienko's conviction, is an additional challenge to the teacher – not only to know, to remember, but also to make a strict and painstaking selection [20].

O.S. Moussienko led numerous creative workshops of the movie scholars, in the classroom and by correspondence, as an artistic director. The experts in screen arts pedagogy know how much hard work and dedication is required in order to bring up the freshmen with blazing eyes, but without skills, and make them real professionals. Professor Moussienko presented her thoughts on the cinema education in some of her articles. Oksana Stanislavivna analyzes the cinema education development trends and those teachers who engage in it [18; 24; 25].

O.S. Moussienko prepared several graduate students, who successfully defended their thesis before the Specialized Academic Board of M.T. Rylskyi Institute of Art Studies, Folklore and Ethnology of the National Academy of Sciences of Ukraine. In particular, these were Zaza Imad Edd Dean (Syria) – “Cinema of Syria, Lebanon and Palestine (region of Ash-Shaam). History. Becoming and problems of development”, I.B. Zubavina – “Structural and Creative Role of a Myth in Ukrainian Cinema”, I.Y. Pobedonostseva – “TV Discourse in the Postmodern Cultural Space”, O.V. Bezruchko – “O.P. Dovzhenko, a teacher. Creative Search and Method”, and V.A. Dovholenko – “Carnivalism Aesthetics in the Movie Artistic Structure”.

Oksana Stanislavivna Moussienko is engaged in research in the theory and history of cinema, both domestic and foreign [13; 15; 16; 17; 26; 30; 35; 43; 47; 55]. Her creative works include more than 300 publications, manuals, curricula, and scripts. We would like to mention only the main ones, namely “Screen Image of a Motherland Defender” (1975) [37], “In a Maze of Illusions” (1987) [51], “Tarkovsky and Ideas of the Philosophy of Life” (1995) [68], “The Light of Distant Stars” (1995, co-authored) [48], “A New Wave of French

Cinema: Sources, Theoretical Foundation, Masters” (1995, manual) [35], “Cinema and Myths of Totalitarian Society” (1996) [23], “An Attempt of Conceptual Understanding of the History of Cinema in Ukraine” (2000) [47], “Innovative Trends in French Cinema (Second Half of the Twentieth Century)” (2005) [34], “Ukrainian Cinema: Texts and Contexts” (2009) [50], “Modernism VS Avantgarde” (2018) [32].

The distribution of O.S. Moussienko’s attention between domestic and foreign cinema can be seen from the structure of her next to last book, “Ukrainian Cinema: Texts and Contexts” [50]. Moussienko was always looking for a global context of Ukrainian cinema and resonance of certain topics, ideas, and images therein. Sometimes she ought to be overtly polemical, as in the case of comparing the German Kammerspiele movies and Ukrainian revolutionary drama (“Two Days”, “Night Cab”), to reveal how the avant-garde trends were manifested in the Ukrainian cinema of the 1930s, that is at the times of a seemingly absolute rule of the «socialist realism» method.

For young artists, Teacher’s personal example is very important. Oksana Stanislavivna Moussienko has something to be proud of. Her articles are published in many national and foreign professional and specialized publications, she speaks at international and national conferences and round tables dedicated to the history and theory of screen arts, and participate in numerous festivals as a jury member and, certainly, an interested viewer.

## **2. Analysis of science and cinemaeducational heritage of O.S. Moussienko**

Professor Oksana Stanislavivna Moussienko is the author of numerous research papers on history and theory of cinema, which were published in scientific collections of the Kyiv National I. K. Karpenko-Kary Theatre, Cinema and Television University, National Academy of Arts and National Academy of Sciences of Ukraine, as well as in specialized periodicals of the country, namely “Novyny Kinoekranu”, “Kino-Kolo”, “Kino-Teatr”, “Kultura I Zhyttia”, and “Na Ekranakh Ukrainy”. For example, for 45 years of cooperation with one of the oldest Ukrainian newspaper, “Kultura I Zhyttia”, Oksana Stanislavivna has published there more than fifty articles showing a wide range of her research interests, namely movie research analysis (“Kira Maratova’s apocalypse” [14]; “O. Olzhych’s knightly choice” [28]; “A singing squadron: notes about «Old Men Only Go to Fight»” [46]), theoretical works (“Yuriy Illenko’s cinema: all the colors of the world” [22]; “Capturing the diversity of TV movie genres” [38]; “TV version. What is it like?” [52]), reviews of books on cinema (“The bearer of a deep national identity” [36]), reviews of festivals and movie retrospectives (“Two retrospectives” [17]; “Under the influence of new meetings: Kyiv held the second week of the European cinema” [39]; “Saint Petersburg brand: screen of the neighboring countries” [40]; “Polish view” [41]), movie teaching work (“«Prologue» to the future of Ukrainian cinema” [42]; “«Prologue» Festival: experience, assessments, summary” [53]; “Should one teach to watch a movie?” [54];

“Every evening after work” [58]), interviews with the leading national filmmakers (“Hrynko M.: The talent of being needed” [33]; “Peer of the century” [44]), stories about famous artists (“The secret of eternal youth” [45]) and so on.

Oksana Stanislavivna Moussienko is engaged in research in the theory and history of cinema, both domestic and foreign. Her creative works include more than 300 publications, manuals, curricula, and scripts.

According to O.S. Moussienko, she liked to present her opinion based on fresh impressions after watching. Not wanting to offend anyone, aspiring to support an artist, she, however, tried to be fair to him and herself. Moussienko O. was amazed by gratitude expressed by the filmmakers, such as I. Kavaleridze [21], A. Narodickiy [29], L. Bykov [46], Y. Illenko [22; 45], M. Illenko [31], V. Horpenko, L. Shvachko [44], A. Mikylskiy [28], Yu. Galperin [27] etc.

However, there were occasions when the director felt offended, and considered her biased and subjective. Oksana Stanislavivna Moussienko admits that she was wrong several times. However, there were also the cases when after a long time the director agreed with her opinion.

The heroine of our study saw the point in such works with local artists only, because it seemed very strange to her to review, for example, Ozone or Seidl.

Today O.S. Moussienko almost does not act as a reviewer, but she is monitoring the processes in the domestic filmmaking very closely and still hopes that the number of movies appearing will eventually be transformed into quality.

O.S. Moussienko fondly talks about her sincere admiration at *Kryshtalevi Dzherela Film Festival*, with which she has been cooperating for twenty years. First of all, because it is a unique festival, where the children shooting their films and TV movies in children’s studios all over Ukraine show their achievements. There are both studios with a big name, like *Vesnianka* in Dnipropetrovsk, and teams from small villages and towns, which nevertheless may surprise the audience with their creative output. The guests of this festival arrive even from abroad, namely Poland, Lithuania, Georgia, and Belorussia. From her point of view, this festival is extremely important because, on the one hand, it prepares the future movie experts (alumni of the children’s film and television studios studied at and successfully graduated from the Screen Arts Institute), and on the other, it is a kind of training of the future audience, which will be able to assess the movie as a work of art [20].

She was and is attracted; it seems like every film scholar, by charismatic figures such as Serhiy Parajanov and Yuriy Illenko, as well as the entire brilliant Ukrainian poetic cinema film school. Although, the “city movie prose” by K. Muratova, R. Balayan, and V. Kryshtofovich remains equally interesting to her.

Unfortunately, we do not often get in sight the movie scholars who have made an extremely important contribution to the cinema process. O.S. Moussienko is happy to have

had an opportunity to write a creative portrait of I.S. Kornienko, a scientist with encyclopedic knowledge, who did so much for both creative practice and cinema pedagogy.

She recalled with great respect such a powerful personalities as V.V. Tsvirkunov and S.P. Ivanov. Without them, one could barely imagine the Ukrainian poetic cinema and training of filmmakers at the cinema faculty.

Oksana Stanislavivna Moussienko also had an opportunity to work at the department with teachers who gave very much to the students. This is, in particular, Y.S. Levin, the cooperation with whom she described in an essay, written with sincere sympathy and gratitude, which became a part of her book. As a senior fellow, he always supported her in the early teaching activities.

O.S. Moussienko believes that we owe a lot to the movie scholars and teachers B.S. Buriak and K.H. Teplytskyi, who have invested a lot of creative energy in the training of future filmmakers [20]. O.S. Moussienko is noted in the encyclopedic manual "Foreign Media Teachers and Media Culture Theorists" [57].

O.S. Moussienko devotes much time to public work in the National Union of Cinematographers of Ukraine, where she was repeatedly elected to the governing bodies. The National Academy of Arts of Ukraine does not remain unnoticed by Oksana Stanislavivna Moussienko either, for which she was awarded the title of the corresponding member of the art theory and history department of the National Academy of Arts of Ukraine in 2001. O.S. Moussienko always carefully watches the speeches of her students, movie scholars, in press. Some of them have become serious critics, who are well versed in the cinema process and fluent in pen. Oksana Stanislavivna Moussienko first notes a wonderful journalist, Volodymyr Voitenko, who has long led "Kinokolo", a magazine, extremely popular in Ukraine, Iryna Zubavina, who combines the research and teaching work (Doctor of Arts, corresponding member of the National Academy of Sciences of Ukraine) with an active work of a contemporary film critic, and an expert in cinema education, Olena Kutsenko [20].

Two heads of departments of the Kyiv National I.K. Karpenko-Kary Theatre, Movie and Television University, namely a Doctor of Philosophical Science, Professor, Head of the Department of Social Sciences of the Kyiv National I.K. Karpenko-Kary Theatre, Movie and Television University Olena Ihorivna Onishchenko and a Doctor of Philosophical Science, Professor, Head of the Cinema Studies Department of the Screen Arts Institute of the Kyiv National I.K. Karpenko-Kary Theatre, Movie and Television University Maryna Tarasivna Braterska-Dron, wrote their diplomas under O.S. Moussienko's supervision.

The analysis of the creative way of life and an outstanding teacher today is greatly assisted by a research reference publication, "Oksana Stanislavivna Moussienko, Biographic Materials", compiled by Natalia Moussienko, a leading research fellow of the Modern Art Research Institute of the National Academy of Arts of Ukraine. The publication prepared in close cooperation with the National Parliamentary Library, namely its senior librarian

Natalia Kazakova, not only provides a detailed bibliography of Professor Moussienko, and also contains a unique material about the family library of the Wyshynskiy-Kandyba-Moussienkos, which became one of the foundations of the teacher formation and presents the circle of Oksana Stanislavivna and her family interlocutors. The introductory article by Academician Vadym Skurativskiy not only introduces the reader to Oksana Moussienko, but also depicts the era in which she came to the cinema vividly and accurately. This research will certainly be useful to cinema historians and teachers. Also, it is interesting to a broad range of readers [11].

Many years of titanic work of Oksana Stanislavivna Moussienko in Ukrainian cinema scholarship and screen arts pedagogy is highly appreciated. She was awarded the Order of Princess Olha (2004), Gold Medal of the National Academy of Arts of Ukraine (2008), the badge for Excellence in Education of Ukraine (1997), and medals. O.S. Moussienko is full of energy and creative ideas, continues to educate a new generation of experts on screen arts at the Cinema Studies Department of Screen Arts Institute of the Kyiv National I. K. Karpenko-Kary Theatre, Cinema and Television University. We would like to finish the article chapter of the collective monograph with her words full of optimism and hope, “So, there is still much to do for Ukrainian cinema scholars. We can only dream of rest!” [20].

### **Conclusions.**

In summary, we would like to note that the set research tasks were fulfilled. The contribution made by legend of the Ukrainian cinematology and cinemapedagogics Oksana Stanislavivna Moussienko in the science of cinema and media pedagogy was analyzed, the creative and life path of O.S. Moussienko and her parents was studied, her track record with pedagogical activities in the field of cinematography at the Cinema Studies Department of Screen Arts Institute of the Kyiv National I. K. Karpenko-Kary Theatre, Cinema and Television University was reconstructed; O.S. Moussienko’s best graduate students, Doctors of Philosophy (Ph. D.) on specialty 17.00.04 – Cinematographic Art, Television, who successfully defended their thesis before the Specialized Academic Board of M.T. Rytskyi Institute of Art Studies, Folklore and Ethnology of the National Academy of Sciences of Ukraine were named, her circle of research interests disclosed in Moussienko’s writings was considered, O.S. Moussienko’s best students at the Cinema Studies Department of Screen Arts Institute of the Kyiv National I. K. Karpenko-Kary Theatre, Cinema and Television University were named, and the list of her most important publication in culturological newspapers and magazines in Ukraine, in books and magazines in Ukraine and abroad was provided.

However, the future research prospects remain extensive, because legend of the Ukrainian cinematology and cinemapedagogics Oksana Stanislavivna Moussienko is full of energy and creative ideas, continues to educate a new generation of experts on screen arts at the Cinema Studies Department of Screen Arts Institute of the Kyiv National I. K. Karpenko-Kary Theatre, Cinema and Television University.

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**THE METHODOICAL WORK OF THE CHAIR OF FOREIGN LANGUAGES  
RELATED TO TEACHERS' TRAINING FOR STAGING OF FOREIGN  
LANGUAGE STUDIES**

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**Abstract.** *The article covers content and methods of attracting young teachers to methodical activities of the Foreign Languages Department at higher technical educational institutions, aimed at development of their pedagogical professionalism and artistry. A meaningful context in the organization of methodical seminars on directing the foreign language training sessions, appropriate for young teachers, has been revealed. The essence and the methods of directing foreign language training sessions, based on principles of theatrical pedagogy, are identified and described in the work. It has been demonstrated that the use of a directing approach in the design and organization of a foreign language training session implies as follows: vision of an intrigue as an emotional bond, an exciting beginning; maintenance of a holistic-shaped (active) tempo-rhythm in activities of all study subjects; an energy manifestation in the organization of pedagogical and foreign-language communication interaction; availability of a strategic "super task" and "end-to-end action"; the use of various situational tasks; ensure continuity of intellectual and speech, emotional and creative interaction of all foreign language education participants. Criteria for pedagogical professionalism of modern foreign language teacher as a designer, director, partner and manager of foreign language education have been specified, among them: positive image, creative self-awareness, pedagogical charisma, directorial approach, ability to pedagogical improvisation.*

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**JEL Classification: P46, Z13**

**Introduction.**

High School modernization in Ukraine, meaning the context of modern European priorities, state educational and linguistic policy, stipulates the necessity to improve and significantly increase the quality level of professional and foreign language training of students.

The ideas of language policy of the Council of Europe, while getting more and more recognition in our country, have contributed to the fact that foreign language education in our national higher education institutions is being reformed, considering main achievements of European countries in this area and comply with basic Documents of the Council of Europe ("European Language Education recommendations: study, teaching, evaluation", "European language portfolio", "Bringing language examinations in compliance with the European Language Education guidelines", "Euroexam Requirements"). Within these papers, the main attention is focused on a considerable improvement in quality of educational and methodical activities of the foreign language teachers, who should "use the latest educational technologies and active training methods at a high professional level (Nikolaieva, 2003, p. 27), while continuously improving their pedagogical skills and technique of directing training sessions with application of means of pedagogical artistry and achievements of scenic pedagogy.

Problems of improving the content, methods and forms of organization of foreign language training of students traditionally remain the subject of study in professional linguistics and pedagogy of higher education system. At that, for the most part, particularly vocational stability, occupational competence and pedagogical artistry of teachers in realizing tasks of teaching foreign languages are considered the leading determinant of the eventual outcome quality in foreign language training of students at higher education institutions. Foreign language training is considered by linguistics scholars as a specially organized communication between the teacher and students and between the students themselves, depending on: their academic success (N. Militanska, Z. Romanova); interest in foreign languages (P. Kozyk, R. Syrniewa); satisfaction of communicative needs (T. Levina, M. Mukanov); abilities to master foreign languages (O. Krychev, L. Yurtseva); the content of information reported in a foreign language (B. Notkin, V. Shadrykov); relations between the teacher and students (V. Grabal, S. Grygorian); specifics of the students' body (I. Imenitova, A. Markina); relations in the training group (N. Simonova O. Roshchina); professional orientation of educational activities (A. Gebos, L. Obraztsova), methodical competence (L. Golubenko, L. Talanova); pedagogical professionalism and artistry of foreign language teachers (H. Baryshnikova, A. Kapaieva, N. Maltseva, L. Trofymova, O. Shchegoleva).

However, designing and directing aspects of pedagogical excellence, professionalism and technique of the foreign language teacher as a designer, organizer, co-participant and manager of foreign language education process have not been studied sufficiently.

The objective of the article is to highlight the content and methods of attracting young teachers to methodical work of the Foreign Languages Department, aimed at the development of their pedagogical professionalism and artistry. To succeed, the following tasks were set: to cover the substantive context in organization of tutorial seminars on directing the foreign language training sessions; to reveal the essence and ways of directing the foreign language training sessions.

## **1. Methods and Techniques of Our Research**

In order to accomplish the set tasks and reach the set goal, we have resorted to a series of research methods, such as: theoretical: analysis, comparison and generalization of the scientific, reference and educative-methodical literature regarding the issue of updating of the professional training of foreign language teachers in the context of Euro-integration; the specification of the essence, presentation of the structure of the pedagogical professionalism; elaboration of the model of formation pedagogical professionalism of foreign language teachers'; forecasting the degree of its efficiency; empirical: the targeted observation, analysis of the process and the results of the educational-cognitive, individual-research, professional-pedagogical activities displayed by future foreign language teachers with the aim of exposure of certain pedagogical conditions which are believed to enhance formation of their pedagogical professionalism; questionnaires and interviewing the students and also the foreign language experts in regards to assessment of their aptitudes for mastering the main functions of the pedagogical professionalism in the sphere of teaching foreign languages; the diagnostic conversation, questioning and conducting tests for the specification of the relevant criteria and indicators pedagogical professionalism of the foreign language teachers'.

The manifestation of the levels pedagogical professionalism was carried out by three experienced teachers of the Foreign Languages Department, who, acting as competent judges, observed the expression of each of the three vectors of the orienting basis of the professional actions of the subjects – value-motivational, subject-matter and operational-technological. Due to this, competent judges were able to fix the extent of mastering the essence of each of the three leading functions of the pedagogical professionalism of foreign language teachers' providing psychological comfort and motivation for professional and personal achievements, conceptualizing and visualizing the external and internal image of one's personality, harmonizing the collected impressions and their successful adaptation in situations of professional (translation/interpretation) activities.

Evaluation of integral indicators of the pedagogical professionalism of foreign language teachers' the need for physical (appearance) and spiritual (professional-personal) perfection, the ability to design one's own image, ability to effective self-presentation in situations of professional activity was carried out by the experts in points according to the following scale: score '3' given for a very vivid manifestation of the indicator; score '2' – for a convincing display of the indicator; score '1' – for a weak manifestation of the sign; score '0' was given in cases where the indicator was not expected rather than expected. The distribution of the levels pedagogical professionalism of foreign language teachers' as philologists and translators was carried out within the following limits: from 1.0 to 0.86 points – a high level; from 0.85 to 0.71 points – a sufficient level; from 0,70 to 0,66 points – an average level; from 0,65 to 0,56 points – a low level; from 0,55 to 0,41 points – an initial level; from 0,40 and below points – the level that is in the stage of formation.

## 2. Results and discussion.

Given results of modern linguodidactics (Ivanikhin, 2004; Shiyan, 1994) and pedagogical (Ziaziun, 2008; Ziaziun, 2002; Mozgovyi, 2013; Tsokur, 2012) studies, as well as considering own observations and explorations testifying to the fact that special attention at the vocational and tutorial training of foreign language teachers is almost not given to the development of their design and constructive skills, skills in directing their own pedagogical activity, the methodical work of the Chair of the German Language Philology Odessa National I. Mechnikov University and of the Chair of the Foreign Languages Odessa National Polytechnic University within the academic years 2016-2018 was aimed at dealing with the above gap. For this purpose, tutorial seminars and relative master classes, which were proposed first to young teachers, were aimed at mastering methods of directing scenarios for different forms of foreign language training sessions with the use of scenic pedagogy means and pedagogical artistry. For this purpose, young teachers were aimed at achieving following results, namely:

- understanding of psychological, pedagogical and methodical specifics in teaching foreign languages to non-language and technical major subjects students;
- substantiation of methods and techniques of teaching leading types of foreign language activities (speaking, writing, reading and listening) to students of different specialties, as well as teaching them the main foreign language aspects (grammar, vocabulary, phonetics, stylistics);
- implementation of an adequate selection of the content of teaching foreign language to students of different specialties and modeling the diverse forms of its presentation;
- designing, directing and application of various educational technologies in practice, based on modern trends in the development of the theory and methodology of teaching foreign languages at a higher school, considering personal abilities, conditions of the educational environment and requirements for the foreign language communication competence of students of a certain industrial specialty.

In particular, aimed at implementing the last task, a number of tutorial seminars was devoted to discussing the issue: "Directing the scenario of foreign language training at a higher education institution", the content of which involved three new topics for young teachers to become familiar with. The first topic "Creation of a "storyboard" for the foreign language training session" foresaw the following issues to be covered: the image of a practical training as a leading form of the foreign language teaching at a higher educational institution; practical foreign language training as "the circumstances offered"; the technique on creation of a "storyboard" for the practical training; key concepts of linguodidactic directing: task, super-task and the main event. When presenting the material of the topic, special attention was paid to covering an algorithm of the design and directing activity of foreign language teachers on creation of own linguodidactic projects and development of scenarios for certain forms of teaching foreign languages to students.



Young teachers (beginners) were brought to understanding the linguodidactic project essence (from the Latin – *thrown forward*) as a plan, idea, arrangement, foundation of anything, an ideological program-concept formed in the language of didactic axiology, which operates pedagogical values and brings a profound social meaning. The subject of a linguodidactic design is the foreign language teaching process in the unity and diversity of its manifestations, conditioned by the polyphony of socio-cultural life of a society in general and in those countries, the language and culture of which are being studied.

While providing participants of the tutorial seminar with specifics of design function in the pedagogical activity of a foreign language teacher as a director and a dramatist, which sets the general strategy of pedagogical leadership, we persisted in saying that preserving characteristic features of a "*building material*" used (works of art or folklore) and corresponding functional "roles" of certain genres was quite an important aspect in the linguodidactic design of language training forms. The features of a "*building material*" at teaching foreign languages are as follows: culturology, cognitive view, ethics, dialogical, simulation or narrative-play basis (Ivanikhin, 2008, p. 126). The foreign language teacher, when in educational reality of the higher educational institution, is all the time within the stream of collective energy, transpersonal experiences, where he /she acquires certain professional potentials – ideas generator, scriptwriter, director, pedagogical functions performer, spectator and the judge.

The second topic, "Method for directing analysis of a foreign language training session efficiency", covered the following issues: transformation of the leading linguodidactic idea of a foreign language teaching to the language of action; ways of disclosing a linguodidactic idea by solving a number of problem situations; finding a point of surprise as the main "*intrigue*" of the plot of a foreign language lesson; the technique of the linguodidactic idea transformation into the figurative and organizational-activity perspective of the training session plot. Since creation of a scenario is an important element in the design of a separate form of a foreign language training session, then special attention during the disclosure of this topic was paid to the elucidation of specifics of the teacher's 'scriptwriting' as a subject of linguodidactic design and directing, whereat the constructive function of the foreign language teacher's pedagogic activity is aimed, which, in its turn, reveals tactics of his (her) didactic actions and influences. 'Scriptwriting' is determined not only by educational needs, age features and intellectual and linguistic capabilities of students as the main customers for studying foreign languages, but also by the presence of natural directing in the dramatic material of the academic subject "Foreign Language" and the need for "conjugation" of the future training session form with the corresponding national and foreign socio-cultural environment.

The scenario, being an "*architectural project*" of a performance art, within the limits of professional linguodidactic of the higher education institution, reproduces, above all, the architectural logic of a future training session as a definite theatrical and pedagogical event.

The scenario should include the "*didactic constructions*" frame (forms of studies), its "*supporting structures*", certain dramaturgic strategies, which will be taken as the basis of intellectual-linguistic and artistically - aesthetic event of the foreign language teacher and students, performed based on the linguodidactic project (Ivanikhin, 2008, p. 46).

Participants of the tutorial seminar gradually reached the conclusion that a foreign language teacher, as a scriptwriter, should consider the general and specific features of a dramaturgy and directing of the traditional and innovative forms of teaching foreign languages. The professional-and-role status of a foreign language teacher as a "*dramatist-director*" is particularly applicable, as certain forms of foreign language training sessions are based not only on diverse theatrical genres, but also assume the application of certain plastic of motions and actions laid in them. Particularly plastic creates the energy of pedagogical action, which generates the theatrical-spectacular element and the content-enclosing dynamics of training sessions.

The master-class evidenced the following: an experienced foreign language teacher, who mastered his professional-and-role status as a director-dramatist in the educational environment of a higher educational institution, unites in the scenario of a certain training session all the genres known to him in a harmonious dramatic design, which is determined by ideology and content basis of theatrical-pedagogical performance. Moreover, each genre "works" to promote the leading idea and a certain task of the training session, "offering" relevant internal and external natural dramaturgic-directing components, and the language of a game just band them (Mozgovyi, p. 89). General features of dramaturgy – a composition, a plot, a conflict, an architectonics, theatricalization, means of artistic expression – are always present in the linguodidactic project of a certain training session. Specific traces (collective-co-productive character, attraction to natural environmental conditions in holding lessons, playfulness, multifunctionality and spectacularity) of a training session dramaturgy are due to its particular genre (type) (Stanyslavskiy, p. 87).

Using elaborations of the scenic pedagogy (O. Dovzhenko, I. Sharoiev, K. Stanislavskiy, G. Tovstonogov), it was proved the fact as follows: when creating a project and developing a scenario of any foreign language training session, it should be considered the laws of its compositional structure, which is understood as "*ideological-artistic construction of the plot*" (Stanyslavskiy, p. 214), and which, in its turn, is based on semantic relationships of the educational material. Each subsequent stage of a foreign language training session (as a certain theatrical episode) should be prepared in advance, which is important in building its composition.

Exposition is a beginning of the composition – it is the primary stage in the development of pedagogical action and interaction of participants of the foreign language teaching process. Therefore, the plot is a set of actions and events through which the content of the scenario is realized. The dramatic principle of the plot construction allows reproducing the intended in full, based on a series of techniques (analogy, metaphor), etc.

The main line of a plot construction is the scenario-narrative course (figurative motion of the author's concept). Introduction is a stage of covering the issue, the emergence of a conflict, a "push" to the development of a pedagogical interaction of a foreign language teacher with students who "play" the same game. It is a core part of the scenario (script) where the plot is being disclosed (on a problematic or conflict basis) (Maikovskaia, p. 29). This is due to the increased pedagogical requirements to the development of knowledge and foreign language communicative skills and abilities of students, and their individual capabilities, which do not coincide. The increase in action leads to a catastrophe – the moment of the highest tension in the development of a pedagogical conflict or a problem situation. 'Anagnorisis' (ending) comes after the catastrophe.

Compilation of the training event script is the last stage of working on it, which is based on the method of conflict organization of the material, reproducing the technique of directing the script of a foreign language training session. The compilation has an ability to transform the teacher's perspective as the author of a didactic performance, helping him/her to reach the artistic and pedagogical effect both in the course and at the end of his /her acting. A dramatic basis of the training session scenario as a certain didactic performance is formed as a single whole with the help of compilation, because long-standing relationships appear between "facts of pedagogical art" (Ziaziun, p. 34). Such a game organization of the pedagogical interaction of a training session participants helps the foreign language teaching to realize more effectively the conceived linguodidactic project, actively including the student audience in the proper foreign language communicative performance. When applying the concept of scenic pedagogy, we paid special attention to highlighting the basics of scriptwriting of the foreign language teacher while preparing for training sessions with students, as well as their mastering the corresponding conceptual framework, namely:

- a Theme of the script as a set of phenomena to be created in the system of teaching foreign languages to students;
- an Idea means to form foreign language communicative competence and culture of students;
- a Problem – why do students not efficiently study and use foreign languages for professional and personal purposes?
- a Conflict as a dispute, collision, struggle of regulations, continuous chain of actions and counteractions, i.e. change of genres stipulated by the compilation structure, a certain dialogics of diverse topics and phenomena;
- a View as the beginning of a motion of the artistic and pedagogical thinking of a future foreign language teacher, an artistic image of the training session created by means of the appropriate "building material";
- the Scenario Architectonics is its constructive basis, which consists of scenic information units (elements of the educational event able to influence the sensual-emotional sphere of the viewer), episodes (dramically completed parts of the script in which the scenic information units are narratively and thematically related) and blocks of episodes;

– the Plot as the dramatic arrangement of cultural, artistic and pedagogical material within the order, adequate to the course of training study and set in blocks and episodes (Stanyslavskiy, p. 127).

Thus, an action *'from general to specific'* is a methodically true course for the development of the training session plot, i.e. development of blocks and their plots, and scenes of episodes based on them. Scenic tasks, as conceptual values realizing the super-task, are concentrated in episodes and blocks. Therefore, when developing a plot of the script, the foreign language teacher should place the scenic tasks in a sequence, considering the artistic and pedagogical design, which must ensure a significant didactic effect.

The third topic, "Emotional component of a foreign language training session," was aimed at disclosing issues related to the identification of a certain emotional dominant and the mood of leading participants in the training session as a kind of didactic performance (expecting a miracle, finding a way out of a difficult situation, competition, unraveling a mystery); genre features of a practical training session (detective, drama, comedy); use of the etude as an effective form of checking the linguodidactic idea of a training session, the synthesis of ideas and feelings. An attempt was made to prove that emotionality is the most important feature of diverse forms of foreign language training sessions, since their content and directorial structure should attract students, touch upon their spiritual world, promote the formation of joyful mood, as well as should bring pleasure and cultivate aesthetic feelings. Therefore, any forms of foreign language training in higher education institutions should be transformed into certain didactic performances that can reach the heart of each student as a spectator and collaborator in pedagogical interaction and have a positive influence on him (her). Foreign language training sessions must demonstrate a resource of positive energy with a spiritual beginning in it, which generates in students' souls bright feelings of love for their native land, their country and culture of the foreign country, the language of which is being studied. Such a model of emotional interaction of a foreign language teacher with students has a set of features that need to be considered in the process of implementing the scenario of each training sessions as a kind of didactic scene or performance. Among them are as follows:

- Multifunctionality, which ensures a successful implementation of students' cognitive, educational, developmental, aesthetic and foreign language communication needs;
- Complexity, which involves application of several genres when preparing foreign language training sessions and appropriate cultural and leisure activities;
- Creativity characterizing the foreign language teaching as a source of socio-cultural needs development and the formation of students' foreign language communication skills, positive perception of a global multiculturalism, creative activity;
- Axiologiness that characterizes the foreign language teaching as a system of spiritual values, promoting the penetration of students into spiritual sources of their own and other peoples, their culture, and forms positive moral and ethical features and standards of cultural speech behavior;

- Variability, which involves application of innovative approaches both horizontally (choice of study forms) and vertically (choice of genre material) in a real-case scenario of designing forms for the foreign language teaching to students);

- Optimality that characterizes the foreign language teaching as an effective model of foreign language training and multicultural education of students in local conditions of a certain higher education institution type (technical, humanitarian, linguistic, specialized).

Comply with results of monitoring the quality of methodical work at a Foreign Languages Department, it has been established that the measurement of pedagogical professionalism of a foreign language teacher at the higher educational institution on principles of theatrical pedagogy is advisable to be performed under the following criteria:

- Positive image, which indicators are specified by brightness, attraction of a foreign language teacher image; expressiveness, imagery, metaphoricity of his/her speech; breadth of mind, versatility, positivity of emotional reactions; artistic taste, sense of beauty, craving for beauty and harmony; plastic expression of mimic and pantomimic actions; wealth of emotional and aesthetic movements;

- Creative self-awareness, which indicators are enthusiasm, inspiration, commitment of a foreign language teacher in the process of pedagogical activity; self-organization, stability of a creative form; self-control (ability to see oneself from the outside); self-possession (mood management); self-regulation of emotional states; ability to relieve an excessive stress and tension, excitement;

- Charisma, which is based on ability of a foreign language teacher to draw attention to his/her personality and to retain it; ability to create and exert positive emotional-volitional influence, to capture with own thoughts and feelings; to charm, to lead the way; to manifest immediacy, ease of conduct, sense of proportion; ability to exercise frankness, sincerity, openness of own spiritual world;

- Director's approach, which indicators require the availability of an intrigue as an emotional bond, an exciting beginning at the didactic design and organization of training sessions; maintenance of the full-figurative (active) tempo-rhythm in activities of all study subjects within foreign language training sessions; vigour in the organization of teaching and foreign language speech interaction; the availability of a strategic "super-task" and "end-to-end action" during classes; use of various situational tasks; ensure continuity of intellectual and speech interaction of all participants in a foreign language education activities;

- Ability to pedagogic improvisation, based on the foreign language teacher capability to quickly assess changes in pedagogical situations; proficiency in adjusting tactics of pedagogical actions and training plan "on-the-go"; which presupposes his/her agility, ingenuity in unexpected circumstances of the training and educational environment; efficiency, agile mind while maintaining a constant but flexible feedback with the inmates; ability to outplay a non-standard pedagogical situation while staying focused on a pedagogical aim; instantly convert the educational and gaming environment, revealing a creative style of pedagogical activity.

Pedagogical experiment that was carried out at the German department of the Faculty of Romance-Germanic Philology of Odesa I. Mechnikov National University and at the Foreign Languages Department of Odessa National Polytechnic University within 2016-2018 provided practical implementation of innovational model of methodical work (various combinations of certain psychological and pedagogical conditions) with the aim of forming the pedagogical professionalism foreign language teachers as professionals-inspirers and innovators-organizers of the foreign language education system. As it can be seen from Table 1, the innovational model of methodical work implemented at the Chair of Foreign Languages, made it possible to achieve high results. The formation of the pedagogical professionalism of foreign language teachers was at a high level of 31%, at a sufficient level of 34%, at the median level of 28%, at a low level - 7% of them.

**Table 1. The results of formation of the pedagogical professionalism of foreign language teachers**

Model of Methodical work	Levels of the pedagogical professionalism (in %)				
	High	Sufficient	Median	Low	Initial
Traditional	18	23	32	27	-
Innovational	31	34	28	7	-

The traditional model of methodical work implemented at the Chair of Foreign Languages has demonstrated that the formation of the pedagogical professionalism of foreign language teachers was at a high level of 18%, at a sufficient level – 23%, at the median level – 32%, at a low level – 27%.

### **Conclusions.**

The professional activities of foreign language teachers today cannot be limited only to their teaching to mastering foreign languages, since the modernization of the national higher education involves the formation of special qualities of multicultural language personality – competitive translators and mediators of cultures in the field of intercultural communication. The state, the European community as well as employers who create new jobs in the local, regional, European and world markets of translation and intercultural services raise requirements for professional activities of foreign language teachers in the new socio-cultural conditions.

The experience in organization of scientific and methodical activities at the Chair of the German Language Philology Odessa National I. Mechnikov University and at the Chair of the Foreign Languages Odessa National Polytechnic University proves the fact that today, following the replacement of information and reproductive foreign languages learning on the active-and-creative one, we need artistically developed and creatively minded foreign language teachers as professionals-inspirers and innovators-organizers of the foreign language education system.

They must possess unique features of their creative individuality when transferring the cultural wealth of the country, the language of which students study, as well as a wide range of emotional reactions, pedagogical charisma and personal charm, intuition, empathy, imagination, observation skills, ability to improvisation, to direct the pedagogical action and implementation of role perspectives at foreign languages classes.

Only a foreign language teacher with features of a teacher-professional and a director, able to apply means of scenic pedagogy and pedagogical artistry, that is, possessing a wealth of personal manifestations and naturalness of self-presentation, freedom of creative self-expression, beauty and refinement of pedagogical decisions, can assert him/herself in the experience of modern generation of students, to form their motivational and value-based attitude to the content of foreign language education, to foster and develop values of previous generations applying most effective means. Prospects for further studies on the issue raised include the improvement of scientific and methodological culture of foreign language teachers within the continuous vocational and pedagogical education process.

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## **INNOVATIONS IN INDUSTRIAL PRODUCTION PLANNING BASED ON MARGINAL INCOME CONCEPT**

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**Abstract.** *Modern economic theory and practice contain a wide complex of tasks, especially in conditions of multiassortment production. In this case absence of analytic instruments does not allow precise evaluation of adequate result forecasting and adoption of well grounded managerial solution. It is well known that many economical calculations are restrained by the problem of distribution of fixed costs in types of products. Many foreign and domestic economists come to conclusion that traditional methods of distribution of fixed costs distorts the information about the prime cost values and products profitableness and does not allow to use this information in making grounded managerial decisions. The innovative solution on the base of concept of marginal income is given in this part of the monograph. The concept of marginal income is based on the fact that only direct costs are related with the manufacture of products, but fixed costs are considered as a condition for doing business. Our empirical researches managed us to conclude about possibilities of using of marginal profit in solving of the problem of quantitative profit measurement, profitability of products, price formation, target planning and even the assortment structure optimization. In fact, the concept of marginal profit was formulated.*

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**JEL Classification: K1**

### **Introduction.**

The quick structure changes in all spheres of enterprises activity are among the main features of the modern economy. It is important for enterprises to respond to these changes to be competitive. In this case, the flexibility of management, the ability for catching new possibilities and seeing dangerous tendencies in time, gives more effects then simple operating costs saving. The leading employees should be able to use tools to examine different variants of prices, costs, scales of production, changes in the assortment structure, break-even accounting and also to see consequences of this changes to economy of enterprise. It is well-known, that in a purpose of costs managing, it is necessary to get the trick to its quantitate measuring and analyzing.



There are number of problems in economical theory and practice, especially in conditions of multi assortment production, in which the lack of analytical tools does not allow to measure the expected results adequately and to take grounded management decisions. The difficulties in solving this problem are related with economic processes, the most complicated ones from the vantage point of aggregative values, which could be united into an integrated model only by the innovation approach.

The “Achilles heel” for calculating a number of economic processes is the controversial problem of allocating fixed costs. Even Erich A. Helfert in his work “Techniques of Financial Analysis” writes about difficulties of accounting changes in case of analysis of several types of products [1, p.295]. On this reason assessing innovations E. Helfert warns: “The rule that helps not to fall into the trap of redistribution is aimed at necessity wherever possible, to avoid using costs per unit of output” [1, p.295] is obvious, that in order not to fall into the “trap of redistribution”, many domestic and foreign economists avoid calculations in their works in conditions of multiassortment production. But in real practice it is necessary to solve these problems just precisely in conditions of multiassortment production. At this part of monograph the status of problem (from theory to practice) is analyzed, alternative solution of quantitative measurement of many economic processes by using analytical tools which is derived from allocation of fixed costs in proportion to marginal profit is given.

### **1. Quantitative measurement of economic processes and its solving with the concept of marginal income**

The scientific task is to find correlation between phenomena, the knowledge about which has to be exact and be able to be dimensioned. The problem of quantitative measurement of economic processes had existed for a long time, but got worse from appearance of J. Schumpeter work “Capitalism, Socialism and Democracy” (1942), where he proposed to review the traditional competition concept.

As he consider, the perfect competition is not just unfeasible, but it is also absurd and it cannot be accepted as the pattern of effectiveness. “But in contrast to textbooks, – tells Schumpeter, - another competition, generated by new products, new technology, new raw materials, new type of organization (for example, for huge companies), predominates in capitalism. This competition provides a decisive cost shortening or quality increasing; it threatens not only an insignificant profit shortening, but also a full bankruptcy” [2, p.56].

According to J. Schumpeter this kind of competition is more efficient, then the others, as well as bombing of the doors are more effective than its opening. But some scientists did not shear the ideas of J. Schumpeter. According to the opinion of E. Dolan and D. Lindsey the main problem in testing the hypothesis of Schumpeter is the difficulty of evaluation of innovative processes in reality. «Probably it is the most neutral conclusion which can be done while considering Schumpeter’s innovative processes», – the authors remark – “that they are too complicated and probably cannot be subjected to quantitative analysis”[3, p.355].

Moreover these authors consider that there are no reasonable arguments to confirm or disprove the question. That's why it is necessary to examine their arguments in details.

The monograph of E. Dolan and D. Lindsey "Market: Microeconomic model" was published almost fifty years later of J. Schumpeter's work. Although this authors accept that in real practical conditions the perfect competition does not exist, they admit that this market structure is important one then we talk about criteria's of effectiveness.

"In a perfectly competitive market – the authors declare – firms do not make any innovations, do not have marketing activity and their production, according to determination, is the identical both in essential sense and in customer's reception. At this situation, firms do not realize difficult price making strategies." [3, p.167]. And then the authors gives a mass of profit maximizing tables and graphs according to different volumes of producing with a help of "limited costs" and "limited sales revenue". All calculations makes at conditions of mono assortment production. These imitated constructions in a short period lead to variable cost's increasing under the sway of "decreasing profitability" low, but deny the possibility of variable cost's lowering under the sway of technical progress. It is easy to illustrate this law by simple examples. Comparing a number of tables at the restaurant and a number of waiters, we can account variants of preventing the labor plenty and lack of capital using. But it is much harder (if it is possible at all) to make this calculations for more complicated types of enterprises.

Truly, at natural raw materials branches, taking into account the rarity of these materials, an increasing of producing volumes will mean the prices rising, which will finally result for raw materials consumers in producing coasts increasing. Thus, it is necessary to forecast these tendencies with deep essence understanding and taking into account an influence of decreasing profitability law. But, attempts of applying of these rules in formal planning, especially in conditions of multiassortment production, are at least not correct.

It is also known, that law of diminishing returns was not proved practically, but was introduced experimentally, first of all, in agriculture. That's why all authors try to take into account an influence of only this law, but there is the law of increasing return, which contradicts to the previous one and often overcomes it. In the first part of own book "Principles of economics" [4], A. Marshall noticed that: "The law of increasing returns may be defined as such: an increase in labour and capital leads generally to improve organization which increases the efficiency of the work of labor and capital. Therefore, in non-manufacturing industries, labor costs and capital increases usually provide a proportionately higher return. Besides appointed improvement of manufacturing organization leads to weakning or overcoming of resistance increasing which is enhanced by nature through the extension of resource production quantity" [4, p.404-405].

Moreover, in manufacturing industry and transport branch the law of increasing returns effects is almost without resistance. If it was correct in 1890 (at the moment of publishing of the main work of A. Marshall), so now, it became more influential in conditions of intensification of scientific-technological progress of XXI century.

J. Stiglitz in his Lecture to the memory of Alfred Nobel told that principles of decreasing return in conditions of imperfect competition did not seem to be proved [5, p.552]. In fact, in this lecture he placed in doubt the theory of limited utility, according to which the market price was defined with utility of the last stock of products of particular type. By the way, E. Dolan and D. Lindsay by themselves do not connect their constructions of theory with possibility of utility measuring. "Off course, - they say, - utility is the subjective notion. Nobody has invented "the utility measuring device" which could be connected to the human body in purpose of utility measuring and to do it as easy as we can measure the blood pressure" [3, p.109].

Let us notice that this doctrine of limited utility is frequently recommended by the economics textbooks, financial management and textbooks in planning, for its use in practice. "Subjective utility, – as authors of the "Financial management" textbook declare, – which was brought to customer with the last number of product he bought, is less than subjective utility of every previous number product. Herewith in total, the pace of general utility increasing became slower. The total utility increase linked with consuming of every new number of product names the limited utility"[6, p.267].

And then, the example of limited utility decreasing is given. The total utility from consuming two products is 700 thousand RUB, four products – just 1000 thousand RUB, five products – also 1000 thousand RUB, which means that limited utility is equal zero. But this example does not show how to account the product price based on utility measuring [6, p.267]. But Russian scientist, M. Bukhalkov, consider that the process of planning is not possible without an indicator of limited costs. "An indicator of limited costs, - declare author, - has strategically importance to an internal planning as far as it forms the operating costs that enterprise can directly control" [7, 3.240].

He gives the conditional example, rather unsuccessful, as we think, to illustrate his statements. The increasing of limited costs in this example is caused by inappropriate increasing of labor operating costs according to 10 pieces production increasing. So, labor costs for 10 products output were 2 thousand RUB (200 RUB per unit), but for 100 product output – 200 thousand RUB (2000 RUB per unit) [7, p.250]. Thus, labor costs are 10 times raised. The famous Ukrainian authority on economics S. Mochernuy, gives critical statements of distinguished foreign scholars about the problem of limited utility measurement [8, p.11-18]. So, R. Coase who realized inability of quantitative utility measurement, called it as the fictitious essence, which has the same role as an air in physics [8, p.11]. An American economist and historian of economic thought B. Seligmen wrote the next about this: "According to the usual technique, price consists of sum of average cost value and moderate or traditional mark up. Entrepreneur uses this script if it is right or not ... he also admits that he knows nothing about his limited costs [8, p.18]. And influential American economist Robert L. Heilbroner took an interest in knowing if time spent on limited utility studying was the simple distraction from critical problems of economics [8, p.18].

It is necessary not to be concerned with “fictitious essence” but with problems of quantitative measurement in economic processes to solve the real problems of economics.

This problem was putted forward by F Friedrich von Hayek in his Lecture to the memory of Alfred Nobel. His lecture was named “The pretense of knowledge”. According to his opinion, the quantitative theories should be referred to well measurable values, which can’t be said about economic values, and here is the conclusion: “... the thing which seems at the surface as the most scientific conclusion, often is absolutely unscientific and, moreover, there are limits of expectations from science at this spheres”. “This means that to entrust to science – or to deliberate control according to scientific principles – more than scientific method can achieve may have deplorable effects[9, p.220].” And also: “If we are to safeguard the reputation of science, and to prevent the arrogation of knowledge based on a superficial similarity of procedure with that of the physical sciences, much effort will have to be directed toward debunking such arrogations, some of which have by now become the vested interests of established university departments” [9, p.222-223].

F. Hayek looked critically at situation then with the help of modern computers it would be easy enough to insert data into the appropriate blanks of the theoretical formulae and to derive a prediction. “The real difficulty, to the solution of which science has little to contribute, and which is sometimes indeed insoluble, consists in the ascertainment of the particular facts.” [9, p.222]. According to his opinion, these difficulties are not about formulating theories for the explanation of the observed events. They arise when we apply our theories to any particular situation in the real world. F. Hayek is an extreme liberalism supporter, opponent of any kind of government control. It is F. Hayek opinion that study of such complex phenomena as the market will hardly ever be fully known or measurable.

An unexpected conclusion of William J. Baumol aroused scientific interest. As J. Baumol thought, the bigger scientific progress can be moved not by theoretical innovations but by improving of an empirical research of theoretical conceptions for solving particular problems in practice. As J. Baumol consider, the macroeconomic analysis cannot easily take account of the market forces and fierce competition among firms for priority in new products and processes. “The point is, - declared William J. Baumol, - we have grown increasingly uncomfortable with theory that provides no instruments for analysis of the facts and no opportunity for empirical testing”[10, p.120]. In his thoughts about macroeconomics William J. Baumol expresses critically view to results of macroeconomic research, but he “...disagreeing emphatically with the view, that macroeconomics is in terrible trouble” [10, p.113]. He noticed that this opinion stems from a misunderstanding of what one can and cannot reasonably expect from it.

“The genius of macroeconomics, - tells William J. Baumol, - consists of felicitous oversimplification, which is traded off for concrete conclusions” [10, p.113]. This conclusions are much harder if not impossible to obtain from less simplified models.

“The oversimplification, - he is warning, - that makes this possible means that the utmost caution is required in reliance upon and use of these conclusions» [10, p.113].

The quantitative measurement results in economic research issues are especially needed in the valuation of innovation for determination of its impact to results of firm's activity. “If we want to understand the core of the problem, we must look not for the modern theory of growth, - tells William J. Baumol, - but for J.Shumpeter. He described a competitive mechanism that spurs innovation and in which innovation is the critical source of profits that exceed the normal level” [10, p.115]. J.Shumpeter seemed progress maintenance of economics in an enrichment of methodological tools, in contrast to changes in theories, which does not mean any progress. He suggested to economists to see those elements which lead to growth the number of the economic tools and thus to enlarge an opportunities to experience of the real meaning of economic processes. “As Joan Robinson's consummate determination, - notices him, - economic theory is a trunk of tools [2, p.70].

The R. Coase's views, in 1991 - the Prize in Economic Sciences in Memory of Alfred Nobel winner for his discovery and clarification of the significance of transaction costs, are of marginal interest. As he consider, the feature of modern economic theory is the growing abstraction of the analysis, which does not seem to call for a detailed knowledge of the actual economic system, it is full of mostly theoretical discussions without any empirical basis. “What is studied, - concludes R. Coase, - is a system which lives in the minds of economists but not on earth. I have called the result “blackboard economics”[11, p.678].

Many economists use the mathematical modeling in attempts to solve the problem of economic measuring. According to opinion of Maurice Allais, mathematics do not constitute an end in itself, it can only be just a tool to explore reality. If the research is not related with exploring of reality, it remains meaningless. “Submission to observed or experimental data, - stresses M. Allais, - is the golden rule which dominates any scientific discipline. Any theory whatever, if it is not verified by empirical evidence, has no scientific value and should be rejected” [12, p.605].

The same line H.Simon defends. In his Lecture to the memory of Alfred Nobel “Rational decision-making in business” he came to the conclusion that two generations of theoretical economists, faced with lots of formal and technical problems of reality refuse to solve them. As he think an economic scientists give special consideration to neoclassical theory and macroeconomics, but not to the theory of decision making.” The center for economic science, - says H.Simon, - is more overpopulated than ever, while rich lands in other parts of the empire go untended” [13, p.340]. As he thinks, it is necessary to follow the way of development of reasonably sufficient models in making satisfactory decisions, based on rational costs. “Now the salient characteristic of the decision tools employed in management science, - consider H.Simon, - is that they have to be capable of actually making or recommending decisions, taking as their inputs the kinds of empirical data that are available in the real world, and performing only such computations as can reasonably be performed by existing desk calculators or, a little later, electronic computers” [13, p.330].

H.Simon appealed to review the basics and to account more reach and content choice of features and characteristic of the real encirclement, but not to patch up the holes.

According to William J. Baumol, R. Coase, H.Simon and M. Allais, it is necessary to intensify empirical researches to represent the real events. Incidentally, the scientific point of view of M. Allais can be rather interesting. He confirms that he never started from theory to arrive at facts, on the contrary “tried to bring out from the facts the explanatory thread without which they appear incomprehensible and elude effective action” [12, p.596]. As J. Baumol consider that in future the empirical investigations can lead theories in principal correspondence to the real life conditions.

It is well known that many economical calculations are restrained by the problem of distribution of fixed costs in types of products. Many foreign and domestic economists come to conclusion that traditional methods of distribution of fixed costs distorts the information about the prime cost values and products profitability and does not allow to use this information in making grounded managerial decisions.

In 2001 in “Economist” journal we published the article “Does the purpose justify the means? How to allocate conditionally-fixed costs” [14, p.45-49] where we offered to distribute them in proportion to marginal profit. The main aim of that approach was to calculate cost values on types of products as the base for price making and profit formation. That practice was typical for administrative economy and, in fact, maintains even nowadays.

But theoretical and practical investigations made in the following years allowed to conclude that in conditions of multi assortment production the prime cost values on types of machine-building products could not be used as analytical tools in solving the problem of formation and adjustment of prices.

The point is that the prime cost on types of products is a very dynamic factor and is largely determined by the degree of activity of the enterprise; the change in the structure of assortment and, therefore, the price calculated on such a cost base will be increased or decreased. Our empirical researches managed us to conclude about possibilities of using of marginal profit in solving of the problem of quantitative profit measurement, profitability of products, price formation, target planning and even the assortment structure optimization. In fact, the concept of marginal profit was formulated.

The concept of marginal income is based on the fact that only direct costs are related with the manufacture of products, but fixed costs are considered as a condition for doing business. Than the functional purpose of marginal profit is not distribution, but the coverage of fixed costs and formation on this basis of profits both of the enterprise as a whole and by product types.

In the concept we consciously made the assumption that all overhead costs, including production costs – are fixed costs that are not dependent on changes in output values.

Taking into consideration that fixed costs can be in fact partially semi-permanent and semi-variable, such approach will affect the accuracy of calculating the prime cost on types of products. But obviously, these inaccuracies will not be less, if for the calculation of the fixed costs are distributed by traditional methods (“standard-cost” system) or ABC method.

A. Upchurch notices about methods of costs distribution: “It is necessary to underline that there are some inaccuracies in the process of costs distribution, independently from its methodology. The best we can reckon on – is an acceptable result, which minimizes those inaccuracies” [15, p.153].

The next paragraph shows the appliance of system of flexible cost management, profits and prices management. The main elements are also mentioned there.

## **2. The analysis of fixed costs allocation methods, break-even accounting, price formation and alternative solutions in this field**

The most common foreign methods of calculating costs are the “standard-cost” system and the ABC method.

The “standard-cost” system was invented in USA at the beginning of the last century. The authorities on management accounting offer to use it as a costs calculation method. The “standard-cost” system is based on the rationing of direct costs and productive overhead costs. For calculation the total prime cost on types of production, non-productive overheads costs are allocated by one or another conditional method. As a distribution base, the proceeds from the sale or productive overhead costs are offered.

The production overhead costs behave like the variable ones when we use the “standard-cost” system, those costs does not change on types of products when the production volume changes. Because of that it is out of the question about using of this system in planning and analyzing of break-even.

In the 80s of the last century an alternative to the «standard-cost» system the ABC method has appeared. According to John L. Daly, companies that do not have information on the total prime cost of production, “in practice sell about 20% of their products at a price that does not cover the costs of their production”[16, p. 187].

However, the ABC method, as its supporters believe, is also rather individual or subjective and does not ensure distribution of all overhead costs and is quite expensive. As A. Upchurch notes: “The more complicated analysis is necessary in the implementation of the ABC method. This analysis is comparatively more expensive and that could be resulted in getting no benefits. Thus, the casual consulting services on disclosure of activities / cost drivers are needed to introduce the ABC method and this could be expensive enough.

Those who do not support the ABC method look upon it as “hunting for a mosquito with a sledgehammer”. The ABC method does not allow the formation of several alternative options when changing the scale of production and product range, because it is based on data of accounting.

This circumstance is confirmed by one of supporters of this method, D. Dely, that “in 99 of 100 cases, this method uses just to make the analysis of costs of previous period, but not to forecast the costs for production in the future period” [16, p.191].

Besides, the ABC method does not provide for any accountings in planning and break-even analysis. “The proliferation of the ABC method, - suppose D.Daly, - resulted in almost completely disappearing of the concept of marginal approach” [16, p.240]. In practice, Ukrainian enterprises do not use either the system of «standard costs», nor the method of ABC. The fixed costs are allocated mostly in proportion to “direct labor costs” in the practice of domestic firms.

Many economists consider CVP analysis a powerful instrument for managing costs and profits. However, the CVP system provides that only one type of product is produced or the structure of the assortment is unchanged at any production volume. The key elements of the CVP system are the break-even point and marginal profit. Taking into account that to calculate both the break-even point and the prime cost on types of products, it is necessary to calculate the corresponding fixed costs and only then it is possible to test different calculation methods in order to match the main restriction of the CVP system – i.e. the stable structure of assortment.

As Paul Heyne wrote: “the process of any concept mastering should be combined with demonstration of its real possibilities” [17, p.11]. Let’s try it on and make an example. According to CVP system we can test using various bases of distribution of fixed costs: in proportion to «direct labor costs» (variant 1) and «margin profit» (variant 2).

With this example we will prove that traditional methods of fixed costs distribution (in proportion to salary, sales proceed, material costs) does not comply with the requirements of the CVP system (these rules are: the stable structure of assortment, the prime cost should not be used in the new products price formation, the target prime cost and target profit should not be used in target planning, the profit on types of products should not be used in evaluation of the effectiveness of innovative project and in optimizing of the production program).

**Table 1. The initial date for calculating of the break-even point**

	Quantity (N)	Price and sales revenue		Salary		Variable costi		Marginal profit		Marginal profit ratio
		$P_i$	SR	$S_i$	S	$VC_i$	VC	$MP_i$	M	
A	40	10	400	3	120	6	240	4	160	0,4
B	60	12	720	2	120	6	360	6	360	0,5
Total	100	–	1120	–	240	–	600	–	520	0,4642

The ratio of fixed costs (FC) to salary was used in distribution of fixed costs in proportion to salary:  $(S): RS = 572/240 = 2,38$ . And for calculation in proportion to marginal profit – the ratio of fixed costs to marginal profit:  $BER = 572/520 = 1,1$  (BER – break-even ratio).



This method is based on two indicators: Break-even Ratio (BER) and Margin of Safety (MOS):

$$BER = FC / MP, \quad (1)$$

$$MOS = 1 - BER, \quad (2)$$

where BER – break-even ratio; FC – fixed costs; MP – marginal profit of enterprise; MOS – margin of safety.

With the help of BER, it is possible to calculate quickly the amount of fixed expenses, the breakeven sales for the enterprise as a whole and by types of products and even the effect of the operating leverage, but the main task of this method is the calculation of profit (Pi) and cost-effectiveness (CEi) on types of products:

$$P_s = MOS \cdot M_i \quad (3)$$

$$CE_i = \frac{MOS \cdot MP_i}{PR_i - (MOS \cdot MP)_i} \cdot 100 \quad (4)$$

where Pi – profit on i-th product; MOS – margin of safety; MPi – margin profit on i-th product; CEi – cost-effectiveness on i-th product; PRi – price on i-th product.

The calculation results are given below.

**Table 2. The prime cost and profit calculations in conditions of different bases of fixed costs distribution using**

	Quantity (N)	Price and sales revenue		1 variant			2 variant			R <sub>MP</sub>
		P <sub>i</sub>	SR	FC	PC	P	FC	PC	P	
A	40	10	400	286	526	-126	176	416	-16	0,4
B	60	12	720	286	646	74	396	796	-36	0,5
Total	100	-	1120	572	1172	-52	572	1172	-52	0,4642

This company is unprofitable (-52), but according to the 1 variant – the product A is unprofitable, instead, the product B is profitable. This simple example is the convincing evidence of “calculation chaos” in traditional methods. In the 2 variant we can see more adequate results.

**Table 3. Calculation results of break-even on types of products**

	In proportion to salary							In proportion to marginal profit						
	N	SR	VC	FC	PC	P	M	N	SR	VC	FC	PC	P	M
A	71,5	715,0	42,9	286	715,0	0	286	44	440	264	176	440	0	176
B	47,7	572,2	286,2	286	572,2	0	286	66	729	396	396	792	0	396
Total	119,2	1287,2	715,2	572	1287,2	0	572	110	1232	660	572	1232	0	572

At the first variant the main limitation of CVP system – the stable structure of assortment – was violated. But this is illogical that to achieve the break-even at unprofitable enterprise it is necessary to increase the specific weight of unprofitable products and to decrease the proportion of profitable products.

The conclusion is: the break-even accounting on types of products, in fixed costs distribution in proportion to salary, has no sense. Probably, the enterprises do not make this break-even analysis, and they do not know that this distribution can lead them to hit “the of distribution”, as E. Helfert noticed. It is obviously that the authors of textbooks and monographs do not notice this trap. Thus, as E. Stoyanova believes, the method of fixed costs calculation on the base of sales revenue is the most exact one. In her example of break-even calculation, the specific weight of unprofitable product was increased and the specific weight of profitable product had the decreasing tendency [6, p. 213].

A. Sokolov review the same situation than the most profitable product D has different specific weights - 30% of the total sales revenue according to the reference date and 13% in the break-even accounting [18, p. 32]. Approximately the same calculation makes V. Savchuk. In his example two profitable products has 42,54% in the initial variant and in the break-even accounting – just 21,1%, but the specific weight of unprofitable product was raised from 56,7% to 78,9% [19, p. 200]. V. Savchuk considers that in practice, especially in conditions of numerous product ranges, the special break-even analysis on different types of products is used [19, p. 195]. We are absolutely sure that these calculations are not used in practice. It is hard to imagine what decisions have to make managers of enterprises, then the calculations demonstrate that to achieve the break-even it is necessary to increase the specific weight of unprofitable products and to decrease the proportion of profitable products.

A lot of publications of the foreign and domestic authors were dedicated to the problems of planning and break-even analysis. As usual, the main attention is paid to an accounting of the break-even point in the conditions of monoassortment production. The foreign authors propose to use in calculations the specific weight of each product in the common value in the measurement units in order to guarantee a stable structure of assortment in the conditions of multiassortment production.

According to A. Apherch, the method of break-even point accounting in units of measurement is based on the ratio of the fixed costs to average marginal income. The average marginal income calculates as a sum of product of marginal profit on types of products into the specific weight of each product. To form the “break-even” points in units of measurement on types of products, the enterprise break-even value adds to the specific weight of each product. The more complicated method is offered by the group of authors with T. Horngren among them. To have the stable structure of assortment (as the ABC system requires) he plans the new proportion: the sale of every 3 units of “Do-All” provides the sale of 3 units of “Super word”. But the most important thing is that these authors make the calculations only to create graphs. Meanwhile, the prime cost and the profit on types of products can be found on the base of the marginal income and “break-even” points in units of measurement. But why the authors do not bring the calculations to the conclusion? Perhaps, this is a situation, which described Heyne P. “... it should be remembered that knowledge is passed through something should be told but also through something untold” [17, p.14].

By this logic the next conclusion is quite possible: the “break-even” accounting is not involved into the “standard-cost” system and the ABC method, the traditionally methods of costs distribution in proportion to “salary”, “sale proceed”, “material costs” and “machine hours” could misrepresent the assortment structure. The only one adequate calculation of profits, cost-effectiveness and break-even on types of products can be made only using allocation of fixed costs proportionally to marginal profit.

The allocation of fixed costs proportionally to marginal profit is the new ideology and it is different from others. The allocating of the fixed costs realize not on the base of cause-effect relationship (this relationships does not exist mostly), but according to the logical interrelations between all the parameters in the “cost-volume-profit” system.

The problem of pricing for new products of manufacture-technique purposes can not be solved without using the marginal approach in the calculations. Foreign economic literature of recent years is full of heated debate about the basic point of explanations of the price – whether it is value or cost. Thus, the contradictions between supporters of classical political economy and marginalists have turned from the sphere of pure theory into the practical plane.

“First of all, the price of the product”, John L. Daly asserts, “must be higher than the total cost of its production and sale” [16, p. 21]. “If the pricing is based on full costs, as it is common case in practice – the price is determined by fixed costs, but this is logically incorrect” [21, p. 46]. The presented quotations reflect completely opposite points of view on the process of costs accounting during pricing of new products.

Supporters of cost-based pricing method offer that first of all should be set the volume of sales, than on the basis of this sales cost should be set the cost and at least on its bases would be formed the price, because only in this case we can avoid losses. Supporters of active pricing consider that this approach is mistaken. “They try to impose prices based on costs that may be greater or less than what buyers are willing to pay. [22, p. 39].

Thus, in contrast to marginal concept establishes the supporters of active pricing do not repudiate the necessity of cost accounting in price making. Thomas G. Negl and Reed K. Holden notice that “the aim of utility-based strategy is to maximize the difference between utility and costs of the client orientated company” [22, p. 27].

The point is that producer of the new product with improved characteristics which reduce the consumer expenses offers the price, with the help of which the sharp share of value created for consumers is returned to the company. However, supporters of active pricing in their works do not provide formal calculations for the lower price limit, and the higher price limit is not mentioned at all. Meanwhile, without defining these boundaries the distribution of value of the product created between its producer and the consumer cannot be well grounded.

It is necessary to divide the standard price formation of the new order from the price making of new product related with considerable investments in the process of its creation.

The price for the new order has to fulfill the equal advantage of new products with similar ones. This requirement is used when calculating the initial price (its lower limit) by the formula

$$PR_{ini} = \frac{VC_i}{1 - PMR}, \quad (5)$$

where  $PR_{ini}$  – initial price on new production order;  $VC_i$  – variable costs on  $i$ -th unit of new products;  $PMR$  – profit margin ratio of replaced products or of enterprise in general.

Thus, the pricing according to formula (5) – can not be considered as costly approach, because the calculation does not take into account fixed costs. But this is not a method for calculating price by percent increase to the variable cost, which is offered by many foreign and domestic authors. Coefficient of margin profit is defined as the ratio of margin profit to the price and reflects the potential profitability at the level of exchangeable goods. The fixed costs are not presented in formula 5, but that does not mean that they are overlooked. They are entered to the marginal profit, but how the marginal profit divides to fixed costs and profit will be known after the overall accounting. Let's demonstrate these statements on the example based on the data table 1. An enterprise received an order to manufacture the new product C. To form the price we will use the initial date: the variable costs are equal to 11 (including salary = 6); the quantity is equal to 10; the marginal profit ratio equals to 0,5. We receive:

$$P = 11/(1-0,5) = 22; M_i = 22 - 11 = 11;$$

$$\Delta M = 10 * 11 = 110; \Delta SL = 10 * 6 = 60.$$

where  $\Delta M_i$  – the increase of marginal profit of enterprise;  $\Delta SL_i$  – the increase of salary of enterprise.

The new value of  $BER = 572 / (520 + 110) = 0,908$ ;  $MOS = 0,092$ ,

where  $MOS$  – margin of safety.

The new value of  $R_{SL} = 572 / (240 + 60) = 1,906$ ,

where  $R_{SL}$  – the rate of fixed costs distribution on the base of salary.

**Table 4. The calculation of profit and cost-effectiveness on types of product on the base of  $R_{SL}$**

	Sales revenue	Variable costs	Fixed costs	Prime cost	Profit	Cost-effectiveness
A	400	240	228,8	468,8	-68,8	–
B	720	360	228,8	588,8	131,2	22,8 %
C	220	110	114,4	224,4	-4,4	–
Total	1340	710	572	1282	58	4,5

As we can see, the calculations on the base of  $R_{SL}$  are even more inadequate. According to this example, the product C became an unprofitable, but the product B increased by 57(c.u.). In the previous calculation, the marginal income of enterprise increased by 110 (c.u.) and profit of enterprise increased by 58 (c.u.) due to the product C.

**Table 5. The calculation of profit and cost-effectiveness on types of product on the base of BER and MOS**

Profit	Cost-effectiveness
$P_A = 160 \cdot 0,092 = 14,72$	$CE_A = 14,72/(400 - 14,72) = 4,11\%$
$P_B = 360 \cdot 0,092 = 33,12$	$CE_B = 33,12/(720 - 33,12) = 4,82\%$
$P_A = 110 \cdot 0,092 = 10,12$	$CE_c = 10,12/(220 - 10,12) = 4,82\%$
$3 = 630 \cdot 0,092 = 58$	$PCE = 58/(1430 - 58) = 4,5\%$

The results of calculations (table 5) are opposite to others. We will return to analysis of this table later, but let's emphasize the key point – the cost-effectiveness of the new product C and product B are equal because of putting the RMP of product B into product C calculations. In the case of innovative products output, the calculation of lower limit on formula (5) ensures an equal profitability of production, but does not cover the costs of its design and development. In the purpose of that it is necessary to use the formula of the upper limit of the price ( $PR_{ul}$ ) and the selling price ( $PR_s$ ):

$$PR_{UL} = PR_{low} + \Delta PR_{prem} \cdot (ARR + DR_{new}) \quad (6)$$

where  $PR_{up}$  – upper price limit;  $PR_{low}$  – lower price limit;  $\Delta PR_{prem}$  – price premium on lower price limit (such an extra charge on lower price limit, that taking into account investments (capital expenditure) and depreciation, can be put to a level at which the buyer's effect will be zero and the buyer will refuse of the transaction);  $ARR$  – accounting rate of return (profit margin, interest rate for loan – as an alternative variants of capital allocation);  $DR_{new}$  – depreciation rate of new equipment.

And the selling price (it will be different during the life cycle of the innovation) should be higher than the price at which the NPV is zero. It is important to evaluate the cost-effectiveness in comparison with similar competitors' products in pricing of new innovative products. For example, the Deutsch machine-building producer heard from his consumer from Nederland the following: "The price of the machine you proposed was 2,5 mln DM, the price of the Italian supplier was 1,5 mln DM. The price difference is 60%. I admit the high utility of your product, and your better service in comparing to others. But this does not allow you to price up by more than 60%. The consumer from Nederland bought the product produced in Italia". The selling price of an innovative product is proposed to calculate:

$$PR_{sel} = PR_{low} + R_{DE} (PR_{UP} - PR_{low}) \quad (7)$$

$R_{DE}$  – the rate of sharing of an economic efficiency between the producer of the new production and its consumer.

After the selling price was formed, the prime cost, profit and cost-effectiveness of products (including the new products) can be calculated on the basis of sales revenue and fixed costs with the break-even ratio and the margin of safety using.

To realize the ideas of pricing on the base of “utility” in the practice, it is necessary to develop appropriate techniques and methods on the state level which would give certain recommendation for the subjects of economic relations. The methods we considered and the statements we offered could be analyzed in the context of the relevant information – the concept that defines the degree of usefulness of information in decision making. As usual, there are parameters of accuracy, timeliness, compatibility and flexibility in the relevant information leveling.

**1. The accuracy.** If the information is inaccurate and misrepresentative, it could not be used as base of the effective managerial decisions. The fixed costs distribution on the base of machine hours, salary, and so on, misrepresents the real prime cost of production. The ABC method has pretensions to more exact calculation of the prime cost, but its supporters notice the subjective way of choosing the costs drivers and impossibility of distribution of all fixed costs.

The distribution of fixed costs in proportion to marginal profit and the fixed costs covering with the marginal income, the using the quarter and monthly rates in profit formation influences to the correct information receiving, and the profitability of products and the potential profitability – the rate of marginal profit, are interrelated.

**2. The timeliness.** In the process of decision making we can use only the exact and current information. Obviously, the “standard-cost” system complies with this requirement, but not the ABC method.

The method of fixed costs distribution on proportion to marginal income is rather easy and is not related with extra expenses and provides the immediate results.

**3. The compatibility.** We can see the contradiction and the inconsistency of system of standard costs calculation through its aim, which is the prime cost calculation as the base for pricing, but there are no calculations of the full prime cost in the “standard cost” system. The ungrounded level of make-ups does not allow to find the objective price, even if the full costs will be used as the base of pricing.

The profit margin ratio as the analytical tool of system of pricing contradicts to the “cost-based” approach, but this ratio using and the “utility based” approach in the purpose of price formation are compatible.

**4. Flexibility.** The “standard costs” system does not meet this requirement because of unchangeable standard rates of distribution. The ABC method is difficult and demands the calculation of the big number of cost drivers. The main thing is that the extension of the ABC method leads to disappearing of marginal approach concept.

Meanwhile, the use of the marginal profit helped to creation the flexible system of cost management, profits and prices allows effective decision making in conditions of market unsteady changes.

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## **EXECUTIVE PRODUCTION: ITS PARTICIPANTS AND RELEVANT PROBLEMS OF THE PRESENT**

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**Abstract.** *Issues of execution of court decisions are extremely important and relevant. Judicial decisions are made in the name of Ukraine and the obligation to fulfill them is guaranteed by the Constitution of Ukraine. However, not all court decisions are executed in the same way and on a voluntary basis, which violates the principle of the obligation to enforce them. To this end, an institute of enforcement proceedings was established. The execution of court decisions in each country has its own specific features, but there are also common features that unite and make the enforcement system of the international component. Executive production is essentially an executive process in which the execution of executive documents is carried out according to a specific procedure and with the participation of its participants. All participants in the enforcement proceedings have different legal status and power. This study is devoted to determining the classification of participants in the enforcement proceedings, their legal status and the corresponding power. Also attention is paid to problematic issues that today are highly relevant in modern executive production.*

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**JEL Classification: K1**

### **Introduction.**

In modern conditions the issues of execution of court decisions are extremely important and relevant. Judicial decisions are made in the name of Ukraine and are binding.

Timely and full implementation of the court decision is one of the mandatory conditions for compliance with and ensuring the rule of law in the state. However, not all court decisions are executed on a voluntary basis, which violates the principle of the obligation to enforce them. For this purpose, an institute of enforcement proceedings was created, which ensured the enforcement of decisions of courts and other bodies and their officials. Getting a person to a court decision does not restore his violated right. The restoration of such a right occurs in the case of the implementation of this decision in voluntary or compulsory manner. The execution of a court decision, as the final stage of court proceedings, is the main element of the human right to judicial protection. The procedure for the execution of court decisions is provided for by the Laws of Ukraine „On Enforcement Proceedings” [1], „On the bodies and persons carrying out the enforcement of court decisions and decisions of other bodies” [2]. In Ukraine, since October 2016, there is a mixed system for the enforcement of decisions, that is, in addition to state executors, there are private executors.



The introduction of the institute of private performers is a world-proven model of enforcement of decisions, which exists in many countries. For example, in the Baltic countries, France and the Netherlands, there are purely private systems, where the execution of court decisions is entirely entrusted to private performers. In other countries, such as the United Kingdom, Bulgaria, Poland and many other European countries, there are mixed systems in which public executives perform their functions in parallel with private performers. Enforcement of decisions is imposed on the state executive service bodies (state executors) and in cases stipulated by the Law of Ukraine „On Enforcement Proceedings” on private performers whose legal status and organization of activities is provided for by the Law of Ukraine „On authorities and persons enforcing judicial decisions and decisions other bodies”. According to the current legislation on enforcement proceedings, the execution of a court decision is the final stage of court proceedings.

Article 1 of the Law of Ukraine "On Enforcement Proceedings" notes that enforcement proceedings as the final stage of court proceedings and the enforcement of court decisions and decisions of other bodies (officials) are a combination of actions of bodies and persons aimed at compulsory execution of decisions that are made on the grounds , within the limits of authority and the manner determined by the Constitution of Ukraine, this Law, other laws and regulatory acts.

The enforcement of decisions takes place according to the procedure established by the said Law. In our case, such a procedure can be called the executive process, since it involves participants in the enforcement proceedings, which have the appropriate legal status and authority. In our opinion, such a procedure can be called the executive process, since it involves participants in the enforcement proceedings, which have the appropriate legal status and authority. From the procedural actions of these participants depends on the legality, timeliness and completeness of the execution of the executive document. It is on the participants of the enforcement proceedings, their status and power that attention is focused in the subsequent paragraphs. At the same time, in the course of the execution of the enforcement proceedings, problems often arise, without solving which, including by law, effective execution of court decisions does not occur. Some problematic issues in enforcement proceedings will also be addressed in this study.

### **1. Participants of the enforcement proceedings and their legal status**

Executive production cannot be carried out without its participants. The Law of Ukraine "On Enforcement Proceedings" (hereinafter - the Law) in Article 14 defines the circle of participants in the enforcement proceedings, which are: the executor (public and private), parties, representatives of the parties, the prosecutor, expert, specialist, translator, subject of valuation activity - economic entity. All participants in the enforcement proceedings can be classified according to certain criteria.

Thus, the participants in the enforcement proceedings according to the procedural criterion are classified by M. Ventsislavskaya, dividing them into three groups and subgroups:

1) persons who are vested with power of authority, which include: a) persons who directly perform executive procedures (state executor and state executive groups); b) persons who monitor the legality of enforcement proceedings (these are officials of the state executive service bodies);

2) persons participating in enforcement proceedings: a) Persons applying for enforcement proceedings (parties); b) persons involved in enforcement proceedings in order to protect the rights and interests of other persons and parties (the prosecutor, representatives of the parties);

3) persons who contribute to the implementation of enforcement proceedings (expert, specialist, witnesses, and others) [3, p. p. 12, 13].

Another classification is given by Yu.V. Belousov, referring the said persons to the subjects of executive legal relations, classifying them by legal interest in the case: a) state performer; b) persons involved in the case (parties, representatives of the parties, the prosecutor); c) persons not involved in the case, but contributing to the execution of decisions (expert, specialist, translator, understood, employees of internal affairs bodies, other persons who are attracted to the executive officer to perform executive actions) [4, p. 58]. So, the above scientists differently determine the group affiliation of the participants in the enforcement proceedings, but to some extent they separate the performer from other participants: those who participate in the enforcement proceedings, and those who only contribute to the execution of court decisions.

We investigate the circle of participants in the enforcement proceedings and their legal status. Among all participants in the enforcement proceedings, its main participant should be singled out - this is the performer. The contractor is a specific subject of enforcement proceedings, endowed with certain power, who is obliged to enforce decisions in the manner prescribed by the Law of Ukraine „On Enforcement Proceedings” and take measures to enforce decisions, as well as to perform executive actions effectively, in a timely manner and in full. It is the direct implementation of these actions that the performer differs from other participants in the enforcement proceedings.

Under current legislation, there is a differentiation of performers into public and private. On the one hand, the state executor is a subject of administrative legal relations, as he submits to the leadership, is obliged to fulfill his rights and obligations, on the other hand, he is a participant in the enforcement proceedings, who is obliged to take appropriate measures for the effective, timely and full execution of executive documents (Article 18 of the Law). The scientist M.M. Shupenya compare the activities of a state performer with the activities of a judge and noted that „the duties of a judge to make an appropriate decision and a state executor for the enforcement of a decision regarding procedural actions are somewhat similar” [5, p. 125].

We can agree with this opinion, since both the judge and the executive officer have the right to make procedural documents having the power to execute them.

For example, the orders of the state executor on the imposition of an arrest on the debtor's money, as well as on the property of the debtor and the prohibition of its alienation are binding. Unlike the state, a private performer is a subject of independent professional activity. To state performers, according to Art. 10 of the Law of Ukraine "On the Bodies and Persons Implementing Compulsory Execution of Judicial Decisions and Decisions of Other Bodies" provides for certain requirements, namely: they may be a citizen of Ukraine who has a law degree not lower than the second level, who speaks the state language competencies to exercise the powers of a state performer.

The said Law (Article 18) also includes requirements for a private performer: they can be a citizen of Ukraine who has reached 25 years old, having a law degree of at least second level, fluent in the state language, who has at least two years of work experience in the field of law. years and passed the qualifying exam. At the same time, a private performer can not be a person who: does not meet the above requirements; recognized by the court as limited in civil capacity or incapable; has a conviction that has not been withdrawn or outstanding in accordance with the procedure established by law; committed a corruption offense or violation related to corruption within three years from the date of the commission; for violation of the requirements of the law, the certificate on the right to engage in notarial or attorney activities or the activities of an arbitration administrator, as well as those deprived of the right to carry out the activities of a private executive has been revoked - within three years from the date of the decision; a person dismissed from the post of a judge, prosecutor, law enforcement officer, from the state service or service in local government in connection with disciplinary proceedings - within three years from the date of his dismissal.

Despite the different procedural status, public and private performers have the same rights and obligations. However, the Law of Ukraine „On Enforcement Proceedings” for the first time delimited the categories of decisions by which state and private executors can enforce enforcement. For example, according to Part 2 of Art. 5 of this Law, the private executor shall enforce the execution of decisions except: 1) decisions on the selection and transfer of a child, establishing a meeting with him or removing obstacles in a meeting with a child; 2) decisions on which the debtor is the state, state bodies, the National Bank of Ukraine, local self-government bodies, their officials, state and municipal enterprises, institutions, organizations, legal entities, a part of the state in the authorized capital of which exceeds 25 percent and which are financed exclusively by means state or local budget; 3) decisions on which the debtor is a legal entity, the enforcement of the property of which is prohibited in accordance with the law; 4) decisions on which the claimants are the state, state bodies; 5) decisions of administrative courts and decisions of the European Court of Human Rights; 6) decisions that provide for the performance of actions in respect of state or municipal property; 7) decisions on evictions and moving in of individuals; 8) decisions on which the debtors are children or physical persons recognized as incapable or their civil legal capacity is limited; 9) property confiscation decisions; 10) decisions, the

implementation of which is referred by this Law directly to the powers of other bodies that are not bodies of compulsory execution.

The distinction between the execution of court decisions by their specific categories is another characteristic feature for the performers. Consequently, the performer is endowed with a certain legal status, which differs significantly from the status of other subjects of the enforcement proceedings. The parties to the enforcement proceedings, which are the recoverer and the debtor, play an equally important role in the enforcement proceedings. The parties are endowed with legal capacity and capacity. In the absence of appropriate legal capacity, they exercise their rights and obligations through representatives. As provided for by Art. 15 of the Law, the recoverer is an individual or legal entity or a state in whose favor or in whose interests an executive document is issued, and the debtor is an individual or legal entity defined by the executive document, the state, which is responsible for implementing the decision. Consequently, the debtor differs from the recoverer in that he is charged with the obligation to execute the enforcement document.

The parties in the enforcement proceedings, scientist Yu. V. Belousov, calls „persons who defend their own interests” [4, p. 54], and we can agree with such a scientific view.

In the event of the withdrawal of one of the parties to the enforcement proceedings, the performer shall, upon the request of the party, as well as the interested party itself, have the right to apply to the court for the replacement of the party by its successor. As noted above, in some cases the interests of the parties in the enforcement proceedings may be represented by their representatives. Representatives of the parties - persons involved in enforcement proceedings and representing the interests of the recoverer and the debtor. They can be individuals and legal entities that act on the basis of an agreement (warrant) or power of attorney. In other words, representatives of the parties participate in enforcement proceedings with the aim of realizing the rights and obligations of the recoverer and the debtor.

The next participant in the enforcement proceedings is the prosecutor, who in the enforcement proceedings has a special status, since it represents the interests of the state in court, as well as in the enforcement proceedings. It is the representative office that is the exclusive basis for the prosecutor to receive in the enforcement proceedings the status of the participant in the enforcement proceedings. The implementation by the prosecutor of the representation of the interests of the state in a court is provided for in Art. 23 of the Law of Ukraine „On the Prosecutor's Office” [6]. It is representative activity that distinguishes the prosecutor in the enforcement proceedings from other participants. D. Sibilov believes that „the prosecutor may be the initiator and participant of the enforcement proceedings, since he initiated the civil case” [7, p. 122]. Such a notion of a scientist at the present stage can be interpreted as the representation of the interests of the state by a prosecutor in court.

State Executive, in accordance with paragraph 2 of Part 1 of Art. 26, begins compulsory execution of the decision on the basis of the executive document upon the application of the

prosecutor in case of his representation of the interests of the state in court. When applying to the state executive service for the enforcement of a court decision, the prosecutor represents the interests of the recoverer (that is, in fact acts as his representative) and further uses the rights of the party in the enforcement process. The above participants in the enforcement proceedings can be attributed to the main participants in the enforcement process. However, other participants in the enforcement proceedings (expert, specialist, translator, subject of valuation activity) are also involved, but their activities are already limited, since they participate if necessary.

Thus, an expert may be a person who has the necessary special knowledge, qualifications and experience in the relevant industry, who is entrusted with conducting a study of material objects, phenomena and processes that are important for carrying out executive actions. A specialist may be a person who has special knowledge and skills in the use of technical means and can provide advice during executive actions on matters requiring special knowledge and skills. The expert and specialist are appointed by the executor on their own initiative or at the request of the parties in order to clarify and clarify issues arising in the implementation of enforcement proceedings, and requiring special knowledge.

They are obliged to provide the Executive with a written opinion on the issues contained in his decree on the appointment of an expert (specialist), as well as oral recommendations regarding actions that are carried out when they are present, as provided for in Art.20 of the Law. A translator may be a person who speaks languages, whose knowledge is necessary for translation during executive actions. The interpreter is invited by the performer or at the request of the parties, if necessary, in the implementation of executive action. They can be any competent person who speaks languages whose knowledge is necessary for translation (art. 21 of the Law).

The subject of valuation activity - a business entity is involved in the enforcement proceedings to conduct property valuation and is obliged to provide the executor with a written report on relevant issues. The procedure for the valuation of property by a subject of valuation activity is regulated by a special Law, the Law of Ukraine „On Property Valuation, Property Rights and Professional Valuation Activity in Ukraine”.

Also, the executive has the right to involve witnesses, employees of the National Police, representatives of guardianship and trusteeship bodies, other bodies and institutions (art. 22 of the Law) to carry out executive actions. That is, the legislator also refers the listed persons to the participants in the enforcement proceedings. Although there are cases when their participation is obligatory: when performing executive actions related to forced entry into non-residential buildings where the debtor's property is kept for collection or to residential premises - to ensure forced eviction (resettlement), as well as in which the child lives.

Thus, given the degree of participation in the enforcement process, all participants in the enforcement proceedings can be divided into two groups:

1) participants of the enforcement proceedings: the executor, the parties of the enforcement proceedings, their representatives, the prosecutor, the expert, the specialist, the translator, the subject of appraisal activity - the entity, among which the obligatory participants are the executor and the parties (recoverer, debtor);

2) persons involved in the execution of executive actions: witnesses, employees of the National Police, representatives of guardianship and trusteeship bodies, other bodies and institutions.

## **2. Classification of powers of participants in the enforcement proceedings**

Participants in the enforcement proceedings have the appropriate powers, which are normatively enshrined in Art. 19 of the Law of Ukraine „On Enforcement Proceedings”. The classification of powers depends on the legal status of each participant in the enforcement proceedings and the extent of his rights as determined by law.

The powers of the participants in the enforcement process can be divided into two main groups: 1) by the subject composition of the participants in the enforcement proceedings; 2) on the substantive content of the powers of each participant in the enforcement proceedings.

The first group of powers should include: a) powers used by all participants (parties, the prosecutor, an expert, a specialist, a translator, a subject of valuation activity); b) the powers exercised by individual participants in the enforcement proceedings (expert, specialist, translator, subject of valuation activity).

We focus on these power.

1) The right to get acquainted with the materials of the enforcement proceedings. Only the parties (the recoverer, the debtor) of the enforcement proceedings and the prosecutor have this right. The realization of the right to get acquainted with the materials of the enforcement proceedings is carried out in order to ascertain the timeliness and legality of the issuance of procedural documents by the state executor, as well as the execution of executive actions during the execution of the court decision.

Using such a right, these participants can establish: compliance by the contractor with the deadlines for making procedural documents, timeliness of sending copies of these documents by the contractor (for example, resolutions on the opening of enforcement proceedings), taking the measures by the contractor to ensure full execution of the court decision (for example, the arrest of property and funds of the debtor, the search for the debtor and his property), the execution by the executive of executive actions in full, compliance with the law of the procedural decisions made by the executor, the legality of the suspension of enforcement proceedings and the deposition of executive actions, and the like.

To familiarize themselves with the materials of the enforcement proceedings, the participants apply to the contractor with a corresponding petition.

2) Make copies and extracts from the materials of the enforcement proceedings. To this end, the participants in the enforcement proceedings appeal to the contractor with a verbal request or with a written statement to the head of the relevant department of the state executive service (in case the state executor refuses to satisfy the request).

The main purpose of the use of this right by the parties and the prosecutor is to appeal the procedural decisions, actions or omissions of the contractor (for example, in the event of non-implementation of measures to attach property or the debtor's money).

Due to the impossibility of (technical) making copies of documents of the enforcement proceedings, extracts can be made from them.

3) In the cases provided for by the Law of Ukraine "On Enforcement Proceedings", the parties to the enforcement proceedings and the prosecutor have the right to declare rights. The recoverer, the debtor and the prosecutor may challenge the contractor, expert, specialist, subject of valuation activity - the business entity, the translator.

So, the performer cannot execute decisions if: 1) the debtor or recoverer is the performer himself, persons close to him or persons connected with him; 2) the debtor or recoverer is a person who has an employment relationship with such a performer; 3) the perpetrator, a person close to him or a person who is in an employment relationship with the perpetrator has a real or potential conflict of interest; 4) the amount of recovery under the executive document, taking into account the amounts under the executive documents that are already being executed by a private contractor, exceeds the minimum amount of the sum insured under the civil liability insurance contract of such a private contractor.

The challenge must be motivated, set out in writing and may be filed at any time before the end of the enforcement proceedings. For example, a recoverer shall challenge the state executor by filing an application, the head of the state executive service body, to whom this executor submits within 5 working days from the day the application was received, is considered, after which the relevant decision is made. This decision may be appealed by the recoverer within 10 days. If a state executive is declared a withdrawal, then the executive document shall be transferred in the prescribed manner to another state executive or another state executive service body.

In the event of the above circumstances, the contractor is obliged to self-withdrawal and inform the claimant.

4) The right of access to the automated system of enforcement proceedings. To ensure the effectiveness of the enforcement proceedings, the timely and complete implementation of the decisions, the automation of the procedure for the execution of decisions through electronic registration of documents, the full recording of procedural decisions and executive actions in the automated system has been introduced.

The introduction of an automated system of enforcement proceedings is associated with ensuring the transparency and efficiency of enforcement proceedings, the timely and complete execution of decisions. This approach is intended primarily to solve the problem

of prolonged non-execution of executive documents, the presence of facts of inaction of the executors or improper performance of their duties.

In Ukraine, the automated system operates from January 5, 2017, which stores a large amount of information, namely: electronic archive of enforcement proceedings, the Unified State Register of Enforcement Proceedings, the Unified Register of Debtors, the Register of decisions, which are guaranteed by the state, and the system provides full automation of technological processes of information processing in the state executive service and the private executor. With the help of access identifiers contained in resolutions on the opening of enforcement proceedings, the parties and the prosecutor can use data from an automated enforcement proceedings system. In particular, to see all the documents of the executive proceedings, made by the contractor with an indication of their date, information on the conducted executive actions, and the like.

5) The right to appeal the decision, action or inaction of the contractor on enforcement proceedings. This right arises from the parties to the enforcement proceedings and other participants in the enforcement proceedings from the moment they receive the procedural document handed down by the executor, or the unlawful act or omission by him.

During acquaintance with the enforcement proceeding, its participants reveal violations committed by the perpetrators in the course of their enforcement of the court decision.

Common violations in the activities of performers are: violation of the terms of the implementation of enforcement proceedings; the delay and incompleteness of obtaining information about the property status of the debtor; lack of control over the flow of information on the requests of the contractor from other bodies (officials); failure to comply with the requirements of the law on the systematic conduct of inspections aimed at identifying the accounts of the debtor, movable and immovable property, and its property rights; obtaining information about the income of the debtor. There are also cases of non-performance by the contractor of measures to enforce recovery on the debtor's income (salary, pension, scholarship, etc.). After reviewing the materials of the enforcement proceedings and establishing the facts of unlawful decisions, actions or inaction of the contractor, the participants in the enforcement proceedings are entitled to appeal them in the manner specified in Art. 74 of the Law of Ukraine „On Enforcement Proceedings”.

Decisions and actions (inaction) of the executor, officials of the state executive service bodies on the implementation of the court decision can be appealed by the participants of the enforcement proceedings within 10 working days from the day when they learned or should have known about the violations of the enforcement proceedings, and to postpone the execution of executive actions - appeal within 3 working days.

Appeal of decisions, actions or inaction of the contractor takes place by filing a complaint exclusively in writing in a departmental manner (to the head of the relevant body of the state executive service, which subordinate is the state executive), as well as in court.



In our view, it is more effective from the point of view of quickly restoring the violated right to appeal decisions (actions, inaction) of a state executive in a departmental manner. However, in this case there is a certain feature, which is expressed in the following: 1) restoration of the missed deadline for appeal is not provided for by the Law, therefore it is necessary to strictly adhere to it; 2) the debtor does not have the right to file a complaint in a departmental manner, but only in a judicial procedure.

At the same time, the availability of a response in the procedure of departmental control does not deprive the right of all participants in the enforcement proceedings to appeal against decisions, actions or omissions of a state executive to court. These complaints are filed in the court, which issued the executive document. A deadline for a complaint missed due to a valid reason may be restored by the court (Article 449 of the Civil Procedure Code of Ukraine, Article 441 of the Economic Procedure Code of Ukraine).

6) The right to provide additional materials is available to all participants in the enforcement proceedings. They are entitled to attach to the materials of the enforcement proceedings additional documents that affect the timeliness and completeness of the execution of the court decision. For example, at the time of submission of the statement of claim to the court, the recoverer had information about the existence of the property of the debtor (defendant), including being leased or used by other persons. He can provide such information (documents) to the contractor for familiarizing them with the materials of the enforcement proceedings.

7) The right to file petitions. When executing enforcement proceedings, all its participants may submit petitions to the executor with a request to familiarize themselves with the enforcement proceedings, provide copies of the enforcement proceedings documents, and involve specialists to participate in the execution of enforcement actions. If necessary, participants in the enforcement proceedings may apply for the initiation of measures to change the way and the order of execution of the decision, foreclosure of the debtor's property.

The petition, as well as the application, belong to the procedural documents with which the participant of the enforcement proceedings refers to the executor. Regarding the petitions, neither procedural legislation, nor legislation on enforcement proceedings provide for an exhaustive list of them, since they are aimed at exercising the right to demand that the executor perform certain actions.

The petition must include introductory, descriptive, motivation and resolution parts. However, the descriptive and motivational parts of the petitions may be different depending on the purpose of achieving the goal of the petition; the resolution (requesting) part must contain a conclusion or a specific requirement.

In most cases, the petition is submitted to the contractor in writing, but may also be oral (for example, to familiarize with the materials of the enforcement proceedings).

8) The right to participate in the commission of executive action. Without exception,

all participants in enforcement proceedings have the right to participate in executive actions, in particular: when describing and arresting a property of a debtor, inventorying a property of a debtor and transferring it for safekeeping, conducting an inspection of premises and storage facilities owned or occupied by a debtor, returning a land plot or other state or municipal property.

9) The right to provide oral and written explanations. When executing enforcement proceedings, its participants are entitled to give explanations that contain a statement of those circumstances that may affect the enforcement action. The provision of such explanations must correspond to the subject of the executive actions carried out by the contractor.

Explanations, for example, can be provided in cases where the contractor raises questions about the content of documents attached to the enforcement proceedings by the participant.

10) All participants in the enforcement proceedings have the right to object to the petitions of any other participant in the enforcement proceedings.

11) The right to choose the presentation of the executive document for its enforcement belongs to the claimant. Only the claimant (his representative), the prosecutor has the right to choose a private executor or the relevant state executive service body and apply to them with a statement about the enforcement of the executive document.

12) The right to enter into a settlement agreement belongs only to the parties (their representatives) of the enforcement proceedings. The parties in the process of execution of a court decision, in accordance with the procedural legislation, have the right to enter into an amicable settlement. The agreement is approved (recognized) by the court that issued the executive document.

At the same time, the right to conclude a settlement agreement by the prosecutor, as a participant in the enforcement proceedings, is not stipulated by current legislation.

Exploring the second group of powers of the participants in the enforcement proceedings, one should single out the powers of the prosecutor as a special participant. Its peculiarity is related to the fact that the prosecutor acquires the legal status of a participant in the enforcement proceedings only on condition that he represents the interests of the state in court.

It is statutory that the representational activity of the prosecutor is defined in the following forms: going to court with a statement of claim (statement), participation in court in hearing cases, initiating a review of court decisions, participation in enforcement proceedings (Article 23 of the Law of Ukraine „On Prosecutor's Office”).

The powers of the prosecutor in the enforcement proceedings can be characterized by the following criteria: 1) as a participant in the enforcement proceedings, he uses the rights of the party provided for in art. 19 of the Law of Ukraine „On Enforcement Proceedings”; 2) in case of establishment of signs of a criminal offense in accordance with Art. 23 of the

Law of Ukraine „On the Prosecutor's Office”, the prosecutor applies criminal law measures; 3) participates in the consideration by the courts of cases related to the execution of a court decision (delay, installment payment, changing the method and procedure for executing a decision).

### **3. Problems that occur during execution court decisions**

During the execution of court decisions, problems arise that lead to their long-term execution. We investigate several such problems that are relevant today.

So, the performers return the executive documents without taking them for execution in case of non-compliance of the executive document with the requirements provided for by part 1 of art. 4 of the Law. In such cases, the claimant, his representative or the prosecutor must take measures to eliminate the deficiencies and re-submit the enforcement document for compulsory execution. One of these measures is an appeal to the court, which issued this executive document, with a statement about the correction of errors in the text of the executive document.

The next problem is the return to the claimant of the writ of execution due to non-payment of the advance payment. Payer advance payment, according to Art. 26 of the Act, is the recoverer, who attached to the application for enforcement of the decision a receipt for the payment of the advance payment. At the same time, this article provides for a list of claimants and court decisions, when invoking for enforcement of which claimants are exempted from paying an advance payment. For example, such a category of claimants as state bodies do not pay such a fee.

Therefore, in certain cases, the opening by the executor of the enforcement proceedings and the implementation of compulsory enforcement actions by the executor will depend on the payment of the advance payment by the recoverer.

The courts issue executive documents in which the collectors indicate the local authorities, but not always these bodies have sufficient expenses for the payment of the advance payment. In this case, on the one hand, this body, without confirming the payment of this contribution, is not entitled to apply to the state executive service body to enforce the court decision, and on the other hand, the deadline for applying for a writ of execution is passed of the month. So, in Ukraine, at the legislative level, although there is a preferential treatment for claimants who are state bodies, there is an unequal approach to the practical activities of the executors in relation to exemption from paying the advance payment of local governments, which are delegated by the state certain powers. Similarly, there was a judicial practice.

For example, in the judgment of June 7, 2018, in case No. 912/472/17, the Supreme Court came to the conclusion that the city council (local government), which is the claimant by a court order, is not a government body form is a local authority, so it must pay an advance payment [8]. Due to this problem, it is impossible to timely execute the court decision.

In our opinion, the third paragraph of the second part of Article 26 of the Law of Ukraine „On Enforcement Proceedings” should be added that local governments are also exempt from paying the advance payment. Making legislative changes will allow avoiding conflicts in legislation and contradictions in the activities of state actors.

In the course of the execution of court decisions, other problems arise that serve as an obstacle to the implementation of the final stage of the court proceedings. At present, the implementation of decisions regarding the objects of property rights of the Ukrainian people remains problematic, in particular, the return of forest and water resources to state or communal ownership, the demolition of unauthorized construction objects.

Consider the category of solutions for the demolition of illegally constructed buildings and structures on land plots to be released. First of all, these are objects that are illegally built in coastal protection zones of water bodies, on forest land, on the territories of state or municipal property.

The concept of „unauthorized construction” is defined in Art. 376 of the Civil Code of Ukraine, according to which the objects of unauthorized construction include: a residential house, building, structure, other real estate, if they are built or are being built on a land plot not allocated for this purpose, or without a corresponding document authorizing to perform construction work or properly approved project, or with significant violations of building codes and regulations.

In the presence of objective and subjective reasons, it is sometimes difficult and sometimes impossible to execute a court decision on the release of land from unauthorized construction and its return to state (communal) property. The reason for this, in our opinion, is that the collector in this category of court decisions is a state and local government body that does not always have the financial ability to make additional advances to the costs of enforcement proceedings as provided for by Article 43 of the Law of Ukraine “On Enforcement Proceedings” due to the lack of sufficient budget for this item of expenditure.

Therefore, we consider that the order of demolition of unauthorized construction should be clearly settled at the legislative level, otherwise these court decisions will be left without proper execution or will be executed for a long time.

Exploring the problem of the execution of court decisions, one should pay attention to the legal quality of the first step of protecting the violated rights of a citizen and the state - this is the quality of making statements of claim.

Since the court considers the case within the limits of the claims that are specified in the lawsuit, then it makes a decision in accordance with the claims in the statement of the plaintiff. On the basis of the operative part of the court decision, the court issues an executive document, which then turns to enforcement. In this regard, it is necessary: to formulate claims correctly, especially in cases when it comes to „reclaiming property” or „the obligation to return it”; correctly determine the subject to whom the claim (claimant) belongs, and clarify its legal status; clearly indicate the list of property to be returned and

the elements of its identification or individual characteristics (for example, the location of the land plot, its area, cadastral number, regulatory and monetary valuation); find out the circumstances that may further impede the implementation of the court decision; take measures to ensure claims [9, p. 115].

### **Conclusion**

Executive production in its essence is an executive process in which the execution of executive documents is carried out according to a certain procedure and with the participation of its participants. The participants in the enforcement proceedings are: the executor (public and private), the parties (the recoverer and the debtor), the representatives of the parties, the prosecutor, the expert, the specialist, the translator, the subject of the appraisal activity - the entity. Also, if necessary, the individual participants in the enforcement proceedings are involved in the enforcement proceedings: witnesses, employees of the National Police, guardianship agencies and others. These participants of the enforcement proceedings constitute a certain classification, which is an integral part of the enforcement process. All participants in the enforcement proceedings have different legal status and powers. In the course of execution of court decisions, problems arise that lead to their long-term execution and which today are highly relevant. In particular, the return of the executive documents without acceptance for compulsory execution in case of non-compliance with their requirements, under Part 1 of Art. 4 of the Law of Ukraine "On Enforcement Proceedings", as well as due to the non-payment by the collector (local government) of the advance payment.

Sometimes it is difficult to execute court decisions on the release of state or communal land plots from unauthorized construction.

Recently, the courts began to pay attention to the quality of the drafting of claims, since a court decision is made within the limits of the claims and on its basis an executive document is issued. Therefore, it is very important to correctly formulate claims and comply with other requirements of procedural legislation in order to avoid further problems in the implementation of enforcement proceedings. We believe that this study will be useful in the field of enforcement of court decisions, as well as help identify the problematic aspects of the enforcement process and find effective ways to solve them.

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**FORMATION OF THE LEGAL CONSCIOUSNESS OF SECURITY  
PERSONNEL AS A MEANS OF IMPROVING PROFESSIONAL RISK  
MANAGEMENT**

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**Abstract.** *The essence and content of risk in law enforcement activity are considered. It is shown that risks are the inevitable products of decision making, regardless of which industry they belong to. Therefore, the risk that objectively exists in law-enforcement activities, is subject to study as a legal phenomenon. Deontology, moral-psychological and emotional and volitional components are the basis for forming such a level of legal awareness of law enforcement officers, which is able to reduce professional risk. The concrete steps to improve the processes of forming the legal consciousness of law enforcement officers as a means of improving the regulation of professional risk are proposed.*

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*"Theory without practice are dead and barren.  
Practice without theory are harmful and destructive. "  
C.F.Gauss.*

**Introduction.**

Scientific community is increasingly focusing today on research into professional risk. This is due not notonly because of the emergence of new threats in in production, ecology and socio-political life, but also with the emergence the understanding in society that the risk is not an exceptional case, not a consequence and not a by-product of professional activity. Risks are constantly being made by society in all spheres of life - political, social, economic, legal, military, and others. Risks are the inevitable products of decision making, regardless of which industry they belong to. The concept of "risk" exists in many social and natural sciences. At the same time, each of them, having their subject and their own orientation, uses their own specific methods to determine risk.

However, there are such areas of professional activity in which the negative effects of risk pose a particular danger to the whole state and society. First of all, these include the human rights intelligence activities. In the conditions of Ukraine's struggle for its independence, territorial integrity, the inevitable increase the situations when Ukrainen law enforcement officials of are sometimes forced to take risks, without which it is impossible to achieve positive results. Therefore, the risk is objectively present today in the course of the implementation of almost all operational and investigative measures, regardless of whether they are aware of the presence of the performers or not, and whether they generally take into account the risk of making decisions or ignore it.

Law enforcement activities have always been peculiar actions of a risky nature. This is due to their forced character from the standpoint of the Institute of Law, the need to adequately counteract the various actions of international criminal communities, as well as terrorism and political extremism. Considering the essence and content of risk in law enforcement activities, there is no longer a need to prove that for these activities it is important not to avoid risk in general, which is absolutely impossible in practice, but to predict and manage it in order to reduce its negative impact to the minimum acceptable level. Therefore, the risk that objectively exists in law-enforcement activities, is subject to study as a legal phenomenon. This is hindered by the fact that today, among scholars and practitioners, there is no unambiguous understanding of the nature of professional risk. The study of risk precisely in this regard is all the more urgent precisely because in the legal field of independent Ukraine the doctrine of "lack of right to mistake" still exists from law enforcement officers and special services, which has survived since Soviet times.

As a result, there are contradictions, firstly, between, on the one hand, the needs of practical activities of law enforcement units in the conditions of professional risk, conditioned by the realities of the military-political and socio-economic state of the country, and the lack of clear theoretical definitions of the nature and conditions of its employees of these units , on the other. And, secondly, between the need to involve operational staff in risk-related activities, on the one hand, and the lack of adequate risk management tools and employees awareness-raising as a means to improve law enforcement activities in Ukraine under the current operational conditions. A separate problem becomes the fact that circumstances precluding criminality of an action due to occupational risk cause difficulties in determining the degree of guilt and the level of responsibility of professional personnel. Legal awareness formation problems of specialists whose activities are associated with professional risk, in particular doctors, law enforcement officers, firefighters, are the subject of research by many scientists. In particular, Baranovsky V.F., studying the legal consciousness of lawyers formation problem, allocates three components [1]: cognitive, which provides a certain stock of legal knowledge in the subject of legal social relations; emotional, which is a set of sentiments, feelings and experiences reflecting the attitude to the law, and behavioral, which ensures its practical, effective character.



Another Ukrainian researcher, V.D. Gusarev, considering the legal consciousness of lawyers formation problem, highlights cognitive, value-oriented, behavioral components [2]

Prominent Ukrainian scientist O.F. Skakun, on the contrary, puts the deontology, the science of duty, in the basis of the formation of the legal consciousness of lawyers, believing that the awareness of professional duty is the main condition for achieving the necessary level of legal awareness among law students [3].

### **1. Improving the legal awareness of security personnel as a means of regulating professional risk**

In general, agreeing with researchers in the legal consciousness formation field, we nevertheless believe that it is deontology as a science of moral duty should be the basis for the security personnel training. We consciously leave aside the cognitive component, considering that its role lies in the formation of, first of all, legal knowledge of the individual, and not her legal awareness. Instead, we, in unison with O.F. We propose to attract deontology (science of duty), because it is duty, professional, moral and spiritual, is the main and legitimate motive for the decision of the security personal to apply (not to apply) professional risk. The justifiable risk is the professional, service, and moral duty of the security officer as the protector of the state and nation interests. By the way, legal deontology has long become a educational discipline in higher educational institutions of the legal and law-enforcement sphere on the territory of the post-Soviet space.

Unfortunately, only a deontological component, that is, knowledge of its moral duty, its rights and official obligations, is not enough for the formation of justice consciousness of security officers. The moral and psychological component should provide for the restriction of the corridor, within which a properly motivated security officer can act without breaking the institutions of morality. The need for another component is due to the fact that acting in extreme conditions, security officer often becomes an inevitable victim of their own negative emotions. By volition effort he must be able to withstand the actions of his emotional surges. Thus, deontology, morally-psychological and emotional-voluntary components are the basis for forming such a level of legal awareness of security officers, which is capable of providing a settlement, reducing professional risk.

Unfortunately, in the works of many researchers insufficient attention is paid to the most important aspects of the ethics of risk, which is part of the moral obligation, which is the subject of study of deontology - the science of the professional duty of professionals, , on which actions the rights and freedoms of citizens, the stability in society and the integrity of the state depend. The provisions of legal deontology are sufficiently detailed in the writings of domestic and foreign researchers [2, 3, 4, 5, 6]. However, these authors do not pay enough attention to professional risk communication with a professional duty. Meanwhile, one of the most powerful drivers of risk is, of course, the professional and civic duty that lies or, at least, should be the basis of the effective work of security personal.

It is generally known that the professional duty of a security personal implies the need for risky actions. On our opinion, it is necessary to distinguish between the moral and normative components of professional duty. The first of these is the conscious necessity of fulfilling what is offered by the moral ideal. At the same time, the duty is perceived by the person as an internal motivation. But it requires self-imprisonment. The requirements of such a duty are self-sufficient: a person performs duty unselfishly, regardless of external forms of coercion, asserting his priority in relation to his passions, benefits, etc. The normative component of professional duties is related to the concept of such obligations, which may be reflected in job descriptions, norms and regulations. However, there are significant differences between them. If under moral duty means the practical realization of the full completeness of internal moral beliefs, then the duty, which can be reflected in job descriptions, norms and regulations, is the need to perform specific, sometimes trivial requirements, enshrined in service documents of various legal significance. The moral duty has the sense of spiritual ascent, with which it is accepted to associate a high degree of awareness of the fulfillment of professional requirements, the predominance of such motives of behavior that arise on the basis of fundamental beliefs, justice, patriotism, national consciousness, which is especially characteristic of the requirements put forward before security officers.

Occupational risk in the activities of law enforcement officers has a routine, but the forms of its manifestation, when they are justified in nature, are not always clear and noticeable. A much more obvious risk that is not justified by the law. The most common moral criterion for the use of professional risk is the awareness of its state and social necessity. In turn, the path to the realization of such a need lies through the assimilation of moral norms, through the system of moral education of a security staff, familiarization with the consequences of the unjustified use of risk, as well as the responsibility for avoiding the use of risk in operational situations. The duty is a form of public consciousness, an element of the attitude of the security officer, closely linked to such a form as legal culture and legal consciousness. In this regard, the upbringing of the lawful use of professional risk among security officers is interdependent and to a certain extent due to moral standards. As a result, there are contradictions that are caused, on the one hand, by the presence of a rather powerful theoretical basis based on the provisions of modern riskology and classical deontology, and on the other - the lack of practical developments that can link the risk and professional duty in the activities of law enforcement agencies. It does not contribute to the improvement of the processes of formation of the necessary specialists in higher education institutions with specific learning conditions that are caused by the needs of this day

It should be noted that the effective use of professional risk as a method for solving specific problems, its justification from the point of view of morality and law, is possible only when the law enforcement officer is a person whose attitude is based on a sense of civil and service duty, became moral values , patriotism, national consciousness, responsibility, sense of moral and professional duty.

The formation of such a person is the task of deontology - a science that considers problems of duty, moral requirements, norms and generally proper as a specific form of manifestation of social necessity, as well as deontological pedagogy, which is born and aims to form a person who possesses the necessary qualities for the fulfillment of moral, civil, professional and service duty. The deontological aspect of addressing risk in all respects helps to strengthen the system of moral criteria for justified risk [7]. Undoubted interest is the formation of motives, intentions in the process of choosing and taking risky decisions, as well as self-assessment of risky actions by law enforcement officers.

The axiomatics of deontology proclaims that the duty to society, nature, or God is, in essence, a duty to himself. Deontology distinguishes the concept of "moral duty" and simply "duty" or obligation. The meaningful distinction between these concepts consists in the fact that the words "moral duty", surrounded by a more powerful emotional aura, bear the shades of inner spiritual heights associated with the concept of conscience, while the concept of "duty", as a rule, refers to important, however, rather trivial external manifestations, well-formulated, institutionalized requirements. In addition, the word "moral duty" is associated with a high degree of awareness of the performance of service requirements, the predominance of such motives of behavior that arise on the basis of fundamental beliefs. When an employee pointed out to an unfulfilled duty, it is expected not only compliance with the law or regulations prescribed, but also his deep personal involvement in this process. A reminder of an unfulfilled duty, as a rule, implies only the need to conscientiously carry out a certain sequence of actions. Investigation of situations connected with non-fulfillment of duty, delay, shows that the basis of such actions is often the insufficient level of morality of the employee [8]. It is also immoral that caviarism may sometimes occur in professional risk situations.

We see that, when defining a moral obligation as a necessity to act in respect of the law, I. Kant [9] did not mean the purely fulfilling of external duties assigned to him. After all, in the opinion of I. Kant, moral duty is the awareness of the person of the necessity of fulfilling what is offered by the inner spiritual ideal. Moral duty is not just a special attitude to the law, but an "inner law" established by conscience. The semantic space associated with the moral proper, includes the following concepts: "permissible", "unacceptable", "mandatory". In law enforcement activities, the aforementioned triad, in our opinion, should be supplemented by the notion of "necessarily" or even "supernecessarily". In our opinion, it is supernecessary to include actions related to the risk of loss of freedom, health, and sometimes death, in connection with involuntary or instinctive acts related to the performance of a duty or an order, to obligatory actions. Such actions are often endowed with a higher status in the hierarchy of official actions, are deemed to deserve the maximum degree of moral approval and, even, admiration. At the same time, those who carry out "supernecessary" acts, as a rule, perceive their actions as just the performance of official duty. Therefore, the commission of actions related to professional risk, becomes a duty only because of the special self-consciousness inherent in law enforcement.

For the implementation of "obligatory" actions it is necessary to have a strong will. Will, too, and above all, is necessary to overcome their own negative emotional surges, which arise under the influence of extreme conditions and impede adequate behavior in a professional risk. Will ensures the purposefulness and orderliness of human activity. Freedom as a person's ability to self-regulation makes it relatively free from external circumstances, truly transforms it into an active subject. Will is a conscious overcoming of human difficulties on the way to the goal. Faced with obstacles, a person either refuses to act in the chosen direction, or increases his efforts to overcome the difficulties. Will realizes not only the initiating or the inductive function, which provides the beginning of one or another action in order to overcome the obstacles, but also stabilizing. Volitional act always has in its structure an incentive to commit volitional action, caused by one or another necessity, the presence of one or several motives, a series of contradictory motives.

As already noted, there is a complex relationship of moral criteria with legal norms. This is particularly evident in a situation of conflict between morality and duty. The risk is closely related to the willful act. At each stage of the decision-making on the risk, the At each stage of the decision-making on the risk, the security officer manages the will, controls and adjusts his actions. In volitional actions manifest subject's personality, its main features. The will manifests itself in such personality traits as dedication, independence; determination; persistence; endurance and self-control, discipline, courage and bravery. I. Kant calls human will autonomy [9]. The autonomy of the will lies in the fact that it is determined not by external causes - whether it is a natural necessity, or even a divine will, but by the law that it puts on itself, recognizing it as the supreme, that is, exclusively the internal law of reason. Duty compels the will to take into account the moral laws generated by reason. This principle is particularly important in the area of security, where the principle of legality must be carried out especially thoroughly.

Moral duty and will become antipodes, if under the will they understand the full permissiveness of deeds. The balance of will and duty occurs when, in the minds of the individual, the moral duty becomes so natural that it can not be understood as coercion.

The above shows that the moral problem of professional risk addressing is interrelated with the problems that are the subject of studying a number of related sciences - axiology, deontology, and psychology. This is due to the need to form the scientific basis of the methodology of choosing a specific tactic to avoid the use of unjustified risk based on self-control and composure. At the heart of self-control should lie the idea that the security officer decides primarily in accordance with the requirements of professional and moral duty, and only then tactical necessity. It should be noted that in practice law enforcement officers are faced not only with the lack of development of the general problem of occupational risk, but also with the lack of research relating to its individual moments. Unfortunately, deontological criteria for the use of justified risks in extreme situations have not yet been developed. This is one of the reasons that in judicial practice very rarely extreme events are considered from the point of view of professional risk.

The lack of deep theoretical work in relation to the general problem in deontological training prevents the use of deontological principles in pedagogical practice and the system of education as a whole. This determines the need for further expansion of research that promotes the search and substantiation of pedagogical aspects of deontological training in a professional environment. Similar studies allow us to use the experience gained in such traditional areas as medical, legal deontology, for a new areas of deontological relationships (operational, pedagogical deontology), the number of which increases in connection with the humanization of society, the establishment of new standards of interactions between a citizen and institutions in a democratic society. The results of these theoretical studies should be aimed at creating new, that is, those that meet the requirements of the present, mechanisms for increasing the legal awareness of law enforcement officers.

## **2. Legal consciousness of security personnel formation**

The legal substantiation of the formation of the legal consciousness of law enforcement officers as a means of improving the regulation of professional risk is the provision of paragraph 4 of Art. 4 of the Law of Ukraine "On Higher Education": "... The state bodies which control the higher military educational institutions (higher educational establishments with specific training conditions), military educational units of higher educational institutions, have the right to establish, by their acts, special requirements for: . 4) practical training of persons studying in relevant higher military educational institutions (higher education institutions with specific educational conditions) or military training units of higher educational establishments". By proclaiming this right, the legislator thus stimulates relevant bodies to find and implement ways of practical training of persons who are best suited to the specifics of higher education institutions with specific learning conditions, taking into account the real requirements of the present. The fact is that professional risk in law enforcement activities is predominantly individual in nature. The significance of making a risky decision sharply increases in those situations where in this decision, a person remains alone with his duty, conscience, convictions, moral principles. Such situations are largely characteristic of the law enforcement officer, when the employee is forced to make decisions in complex, unusual circumstances requiring immediate action. What will be his choice from this often the success of a particular operation depends.

In order for the choice of action to be most effective, both from a practical and an ethical point of view, an employee must identify all possible options for choosing the best one from his point of view. The conspiracy of law enforcement activities brings a number of peculiarities to the selection of solutions for risk-related issues. In these conditions, the value of personal moral and volitional qualities of the law-enforcers is particularly high. Mistakes are difficult to avoid in any complicated case, especially in operational activities related to acute confrontation, confidentiality, non-standard situations that place law enforcers in front of an alternative to choice.

At the same time, the official duty awareness by the security officer becomes of particular importance, which includes the right orientation in determining the specific moral values in the implementation of one or another action. Implementation of these conditions is facilitated by the following components of the behavior of the law enforcement officer, such as operational flexibility, operational independence and professional risk.

The peculiarities of the moral content of the activity of the security officers include the limited control over his day-to-day activities. Therefore, the question of increasing the role of moral in professional activities, responsibility for their actions is particularly acute. The theoretical basis for increasing the role of moral and professional duty is the subject of deontology. Therefore, it is urgent to study the phenomenon of occupational risk, the study of certain categories and concepts that reflect the essence of the right to risk in the categories of deontological approach to this problem. Establishing not only legal but also moral limits in law enforcement activities, taking into account all the peculiar features of them, are requirements that are in line with the spirit of the rule of law.

The pedagogical process in higher educational establishments with specific educational conditions is inextricably linked with the personnel upbringing. Upbringing in higher educational establishments with specific learning conditions should be carried out during a holistic educational process and directly through upbringing work. The main goal of educational work in them at present is the formation of a fully developed, professionally trained, mentally and psychologically persistent personality of the security officer. Constructed on a scientific basis and continuous moral education not only forms the moral outlook of future specialists, but also creates the necessary moral and psychological atmosphere in higher educational institutions with specific learning conditions.

Practical experience and analysis of materials of scientific publications [10-12 ] testify to the fact that, despite the increasingly high requirements for the professional and personal qualities of law enforcement officers, in the course of the education there are shortcomings noted, which negatively affects, as a whole, on improving the activities of structural units of law enforcement bodies, and directly on improving the efficiency of the process of training their employees. According to well-known researcher D. Bezzubov [11], the main reasons for the low efficiency of the unbringing process are: the lack of systematic in educational work; low level of psychological and pedagogical training of administrative and teaching staff; insufficient use of the potential of pedagogy, deontology, risk-taking and other modern technologies for the organization of educational work.

The legislation of Ukraine focuses the attention of those who are engaged in security activity, on the morality, the lawfulness of the application of methods that are implemented in the area determined by the specifics of law-enforcement bodies. In this connection, the moral education of law enforcement officers is given special significance, since their performance of duties must be carried out only within the limits of the law, and consequently, in accordance with the criteria of morality of actions in situations of professional risk, extreme necessity, necessary defense and apprehension of offenders .

Everyone should agree with the opinion of E.O.Gidi [8] that due to moral criteria, if they are imperative in the minds of those who carry out security activities, the degree of risk of violation of the law in the sharply conflict, really dangerous for the life and health of the employee and citizens, situations. Thus, such a method of moral training of law enforcement officers is needed, which would facilitate the formation of their actions in situations of real danger, "automatically" preventing the adoption of decisions in the extreme situation on the basis of immoral criteria, which leads to the predominance of expediency over law and morals. At the same time, the search for moral criteria for the use of professional risk should be carried out in the field of formation of moral consciousness. They must include moral feelings associated with a sense of duty, responsibility and trust. It should take into account such categories as the honor and dignity of employee. The categories of honor and dignity are very close. These categories are practical coincide in their objective content, but differ in form. An assessment of honor is an external assessment, an assessment from the outside, and an assessment of dignity is an internal self-assessment, a task of the person himself. Dignity acts as a reaction to one or another form of attitude towards oneself. This allows us to consider honor as a ideology, philosophical concept, and dignity - as emotional. A sense of professional dignity is based on the understanding of security officers of the complexity, difficulty and importance of their profession for the society, a feeling of pride for it. This calls for the adoption of the principle of self-esteem as an absolute moral and legal principle of law and order.

The notion of honor in our case transforms into the concept of "**esprit de corps**" and is defined as a set of moral qualities that should be inherent in a security officer: selfless fulfillment of his duty in accordance with such concepts as professional honor, conscience and moral responsibility. The problem is also that risky behavior can be an end in itself - to demonstrate its courage, to get a thrill. However, in most cases, such behavior is aimed at saving time or effort, or, worse, unfairly advancing.

Propensity to risk, according to E.P. Ilyin - the classic of the philosophy of risk [12] -, is one of many innate psychological qualities of man. However, as the person develops, this quality changes continuously both in terms of strength and frequency of manifestation. Risk behavior in the service activity, if nobody and nothing opposes it, can become entrenched, become a bad habit. However, with appropriate training and a rigid counteraction from management and colleagues in the service, it is possible to achieve a reduction of its manifestations to reasonable limits. The antipode of risk behavior is excessive caution or cowardice, which also can not be assessed as a positive professional quality. Reasonable caution - that's what every employee needs, in general, as well as any person who cherishes his or her own life. Formation of psychological stability and ability to own yourself in crisis and extreme situations requires the formation of certain personal qualities, such as responsibility, resistance to failures, resistance to risk, endurance, etc. People who by virtue of their profession constantly encounter extreme situations, situations of danger and risk, must have means of self-control, management of their behavior and emotions.

In the formation of complexes of professionally important personal qualities, not only a combination of personality traits that are associated with a particular type of activity, but also personal qualities that are professionally important for any kind of professional activity take part. This is, first of all, responsibility, self-control, professional self-esteem, which are important components of professional self-awareness and, of course, emotional stability, resistance to stress, attitude to risk. Of particular importance is the awareness of the security officer of the official duty, which includes the right orientation in defining specific moral values during the implementation of one or another action, since one of these values has to be sacrificed to others, more important. Implementation in practice of these conditions contribute to such components of the behavior of law enforcement as moral and psychological and emotional and volitional stability. Moral-psychological and emotional-volitional stability is an important condition for reducing occupational risk. In psychological literature, the concept of "moral and psychological stability" has many interpretations. In the literature, one can find the following terms: "stability of the individual", "stability of behavior", "emotional stability", "volitional stability", "emotional and volitional stability" and "moral and psychological stability" [13].

On the basis of our research, the formation of moral and psychological stability as professional and personal qualities of future security officers, we propose to consider as a two-way process: first, as a set of techniques and means of pedagogical influence, which is determined by the activities of professor's staff, and, secondly, as an independent and purposeful development of future security officers of their own potential opportunities, self-improvement of their personal characteristics. The purpose of the moral and psychological training of law enforcement officers, according to the views of the leading Ukrainian scientist V.M. Manko [8], consists in the formation and development of each specialist of moral and psychological stability as a necessary component of his professional competence, which is expressed in the presence of his needs and abilities to correlate and carry out their activities in accordance with high moral criteria.

If the moral and psychological readiness of the security officer to professional activity is a potential, internal personal formation, then moral and psychological stability is a component of competence, which is really manifested in its practical activity..

The formed moral and psychological stability is reflected in the readiness of security officers to act in situations of professional risk, and the peculiarities of their moral and psychological stability regarding activities in professional risk situations are determined by the peculiarities of the organization of the educational process at the departmental higher education institution.

A special place should be allocated to the formation of emotional and volitional resistance of security officers as a peculiar foundation for professional readiness to perform actions in conditions of professional risk.



Will is the internal power that is in one way or another inherent in any personality. A force that ensures the deliberate regulation of their behavior in specific situations and activities in general, is expressed in the ability to overcome internal and external obstacles in the implementation of purposeful actions. The main function of the will as a quality characteristic of law enforcement officers is conscious self-regulation of their own emotional reactions in the process of fulfilling their professional duty in a professional risk situation. The will thus manifests itself in actions performed to protect the interests of the state and society.

At the same time, under emotional-volitional stability is understood as a holistic integrative characteristic of the individual, which ensures its resistance to the distressing and stressful effects of risky situations

Emotional-volitional qualities are manifested when in a dangerous situation, under the influence of stress, threat or other negative factor, a person acting in a professional risk situation is emotionally inclined to illegal or immoral action (inaction). In this case, a person needs to make a volitional effort to overcome the emotional outburst that arose.

A necessary prerequisite for the formation of emotional and volitional qualities of future law enforcement officers is appropriate organization of educational activities.

In our opinion, the task of forming the legal consciousness of future security officers is to develop their ability to identify methods for analyzing and assessing risky situations, to strengthen skills in committing acts related to risk, and the implementation of a special task on the prevention or disclosure of criminal activities of an organized criminal group or criminal organization.

In the practice of law enforcement, the treatment of occupational risk is usually a forced measure. Therefore, it's always necessary to look for an opportunity to reach the goal without risk. They should be preferred if the time factor does not influence the decision making, it allows planning measures, maneuvering with available forces and means. Examples can be given to situations involving professional risk and defined by the legislation of Ukraine. These actions are of normative significance, but also require the presence of sufficient moral criteria from the law enforcement officer when deciding on the application of such actions. In other words, in these cases, the moral criteria are in close connection with the legal and general cultural norms, and, also very important, with the criteria of professional ethics. After all, they determine the conscious choice of decision or line of conduct in situations of professional risk. This provision defines the moral choice of a security officer, aimed at overcoming the real danger, sometimes associated with self-sacrifice.

The state bodies of Ukraine, whose sphere of management includes higher educational institutions with specific educational conditions, has the right to establish by their normative acts the special requirements for the practical training of persons who study or work there on teaching positions.

Experience shows that, despite the increasingly high requirements for the professional and personal qualities of employees during their training, there are some disadvantages that negatively affect the work of law enforcement agencies and the effectiveness of the performance of professional duties by grassroots employees. After all, these qualities, along with patriotism, discipline, devotion, are the subject of education. In our opinion, the primary sources and the underlying causes of these shortcomings are the inadequate use of the potential of modern pedagogy in the course of professional training and the lack of systematic in educational work.

The main task of improving the educational process should be considered the establishment of unity and internal coherence of all legal sciences. These requirements are achieved, firstly, by the sequence of teaching, and secondly, by securing the logic of transition from one discipline to another.

Each of these disciplines provides formation of separate useful qualities of the future specialist. However, without establishing interdisciplinary connections it is impossible to provide a profound and adequate study of the legal aspects of occupational risk as a single and holistic concept. In foreign countries, deontology for security officers, including for police officers, has been formed and has long been successfully developing not only within the national boundaries of individual states, but also tends to be integrated on a global scale, gradually becoming part of world-wide international normative practice. As a regulatory orienting social institution, such deontology is formed in different countries, naturally, in different ways. This differentiation is determined by many social factors: national characteristics of the population; historical specificity of social processes; distinction of social and state structure, legal concepts; ethnic characteristics of the population, as well as the specificity that is manifested in the views of national scientific schools.

The development of international cooperation in the implementation of deontological principles in the practice of the police and security services of different countries testifies to the international recognition of the relevant principles and norms as a generally accepted normative-oriented social institution. This implies the inclusion of deontological norms and a system of professional deontological training (training) and education of personnel, as well as a set of sanctions for violating the norms; relevant authorities (court of honor, ethics commission); mechanism for moral and ethical orientation and regulation of the behavior of security and police officers. With all the specificity of the considered experience of deontological training in a number of foreign countries, the basic ideas and principles, forms and methods of moral and ethical training of security officers are in our deep conviction applicable (subject to their creative processing) and for the deontological approach in working with the personnel of Ukrainian law enforcement officers.

It should be noted that today in the practice of teaching work in a number of leading universities, including in some educational institutions of the internal affairs, there were attempts in the planning of the whole process of preparation to highlight the leading pedagogical disciplines around which all others are grouped. Such a discipline in institutions that train security professionals may become a theory of justifiable risks. So an attempt may be made on the basic substantive structure of the curriculum of legal sciences to impose the design of a comprehensive study of the relevant field of professional activity (ensuring security in risk).

### **Conclusions.**

The above circumstances prove the need for in-depth study of occupational risk as an objective phenomenon of generally human and security activity.

The theoretical and methodological basis of such a study should be the systematic analysis of social relations that arise in the circumstances of risk in the course of law enforcement activities, with the involvement of the fundamental theoretical foundations of deontology, risk law and law.

In the course of the research, the content of the risk was seen as a certain metaphysical phenomenon, which, under certain conditions, appears and is retained in the individual and collective consciousness of specialists. The attention is drawn to the signs of duality and the dialectic nature of occupational risk, which is due to a clear state-political orientation and the magnitude of possible consequences. The legal nature of risk is defined, which is an expanded legal characteristic of the phenomenon, which characterizes the legal relations and legal consequences in the process of acceptance, implementation and evaluation of risky actions.

Further improvement of the system of moral education of law enforcement officers should be aimed at the comprehensive involvement of the latest ideas, methods and means of modern pedagogy, based on the deontological potential of the competent approach in the system of vocational training. One of the steps on this path may be the introduction of a course of deontology for law enforcement staff.

Therefore, at the present stage in higher education institutions with specific learning conditions the following tasks should be solved:

- achieve the necessary depth of professional knowledge, profound skills and abilities;
- improvement of socially valuable forms and behavioral skills in conditions of professional risk;
- development of deontological thinking;
- formation of moral-psychological and emotional-volitional stability.

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## **THE PROBLEMS OF THE MEDIATE PROCEDURE REALIZATION BEYOND CRIMINAL JUSTICE**

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**Abstract.** *The theoretic-apply issues of the mediation procedure in the Civil and Commercial Process of Ukraine were reserched on the basis of the study of international experience and fundamental provisions that was fixed in the law named “About Amendments to the Commercial procedure code of Ukraine, Civil Procedural Code of Ukraine, the Code of Administrative Procedure of Ukraine and other legislative acts”, and legislative regulation gaps Institute appointed in terms of compliance with European standards and specific national legislation. A number of normative legal acts and proposals in relation to the improvement of the current legislation, that partially regulates the application of the mediation procedure as an integral part of civil and commercial processes was analyzed. The author propose several positions of legislation improvement of the mediate procedure realization beyond criminal justice.*

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**JEL Classification: K14**

### **Introduction.**

Mediation is one of the most prevailing methods of alternative dispute resolution in the world, which involves participation of a mediator. The term «Alternative Dispute Resolution» is the procedures in which disputes resolving out of court with the participation of a third party. For the first time, this term has started using for mark a flexible and informal out-of-court procedures of resolving disputes, that appeared in contrast with complicate official justice. Nevertheless, there is no "ideal" mediation model and rules for its implementation in the world [1]. A comprehensive implementation of the legal regulation of mediation is complicate process. It will lead to a reorientation of the entire existing dispute resolving system, and it will substantially change all the architectonics of procedural relations and the judicial system in the country [2, p. 12].

The relevance of the problem development of ensuring the protection of civil rights with the use of out-of-court (alternative) means of resolving the dispute condition to the fact that the current judicial protection is partially unsatisfactory in Ukraine. In fact, the world index of voluntary performance by the parties of agreements concluded on the result of mediation is almost 100%.

However, the rate forcible enforcement of judicial decisions barely exceeds 20% in Ukraine [1]. It testifies that the judicial practice and the sins of legislative regulation are defective. People are increasingly resorting to independent, alternative means of resolving disputes, in other words - the mediation. That is the result of imperfection of judicial practice and penny-a-line of legal protection system. "The strategy for Reforming the Justice System, 2015–2020" includes information about improving the efficiency of justice. Quote: "expanding the ways of alternative (out-of-court) solving a disputes, in particular, through the practical implementation of the mediation and mediation institute" [3].

There are a lot of scientists and practitioners that have paid their attention to the legal nature of the institution of "mediation". They are: A. Antsupova, V. Baranova, A. Belikova, A. Bobrova, E. Borisova, G. Brook, S. Vasilchak, A. Gorova, V. Zhmud, V. Zemlyanska, G. Zera, G. Eremenko, S. Kalashnikova, R. Koval, Y. Lyubchenko, K. Mikhailova, Yu. Mikhalsky, G. Ogrenchuk, I. Panova, T. Podkovenko, Yu. Pritiki, O. Spector, A. Shipilova, V. Yakovleva and other scholars in the field of law, philosophy and psychology. There are a lot of mediation problems that were researched as in Ukraine, as abroad.

But there are only the fragmentarily investigated issues of realization of alternative methods of dispute in legal and scientific literature, because of new version of Civil procedure code of Ukraine and Commercial procedure code of Ukraine. Besides, the introduction of resolving disputes procedure with the participation of a judge, that is called "judicial mediation" in the scientific circles. It is innovation of new procedural legislation.

The purpose of the research is to carry out a comprehensive analysis of existing alternative (mediation) ways of resolving civil and commercial disputes, to determine mediation as one of the most effective methods of resolving legal conflicts, to formulate scientific and theoretical and practical conclusions regarding the necessity of proper legislative regulation of the mediation procedure in the civil and commercial procedural codes, as well as the introduction of appropriate amendments to the current legislation, that partly regulate question of mediation. There were determined the next problems to achieve the goal of the article: to investigate the legal nature and peculiarities of the use of existing alternative methods of resolving civil and commercial disputes; to define the concept, the essence of mediation, as well as the procedural conditions for its conduct beyond the criminal justice system, and explain the existing preconditions for the implementation of mediation in Ukraine in compliance with the European standards of the designated law institute.

### **1. The mediation of the civil procedure in Ukraine**

The mediation of the civil procedure in Ukraine is the procedure out-of-court settlement of civil-legal conflicts (disputes) of its parties with the involvement of the mediator on the principles of flexibility, voluntariness, self-determination and equality of the parties, confidentiality, independence and impartiality, aimed at the independent achievement by the parties of decisions on out-of-court settlement of the conflict (dispute), observing the requirements of civil law.

According to the perception of European standards by Ukraine in the field of application of the mediation in jurisdiction process and the adoption of this background in the first reading the draft Law of Ukraine "On mediation» (№ 3665 from 17.12.2015, the Resolution of Verkhovna Rada number 1725-VIII of 11.3. 2016) it was raised the question of improving the legal regulation of this institute in national legislation and qualification requirements to the status of persons of mediator in the jurisdiction process of Ukraine that is intended to serve as conciliation of any legal dispute. This scientific work was dedicated to the above presented problem, that's why its relevance is not in doubt.

The need of the introduction of mediation in the domestic legal system is based on the positive results of the practice of this institution in several countries, which testified of its effectiveness. This position is consistent with constitutional requirements. The state guarantee for each to protect their rights and freedoms from violations and unlawful encroachments by any not prohibited methods (according to ch. 5, Art. 55 of the Constitution of Ukraine).

The Action Plan for the implementation of best practices of efficient and effective regulation reflected the World Bank Group in the methodology of rating "Doing Business" for 2016 (p. 9), approved by the Cabinet of Ministers of Ukraine of December 16, 2015 № 1406-g included the introduction of mediation in Ukraine.

In the presented scientific work, special attention deserved to alternative methods of conflict resolution, the first of which should be the mediation. The mediation in comparison with the litigation process has a lot of advantages, because in the mediation process sides play an active role aimed to reconciliation. The conflicting parties are usually difficult to find common ground in order to begin the negotiations. In this case, it is appropriate to involve the experts, because only they can pay the attention and to get the trust of the disputing parties and to establish contact and mutual understanding between them, to help the parties to realize the need for reconciliation and mutual benefit.

The introduction of mechanism of alternative dispute resolution is appropriate at the current stage of the legal system reformation (according to Recommendation № R (98) 1 of the Committee of Ministers on mediation in family affairs of 21 January 1998, Recommendation № R (99) 19 of the Committee of Ministers on mediation in criminal cases on 15 September 1999, Recommendation Res ( 2001) 9 of the Committee of Ministers of the Council of Europe on alternatives to litigation disputes between administrative authorities and parties - private parties of 5 September 2001 Recommendation Res № (2002) 10 of the Committee of Ministers on mediation in civil matters of 18 September 2002, the fundamental solution Council of the European Union (2001/220 / JHA) on the place of crime victims in criminal proceedings of 15 March 2001, the European Parliament and of the Council number 2008/52 EC on certain aspects of mediation (mediation) in civil and commercial matters on 21 May 2008 etc.

It will not only reduce the burden on the court system, but also speed up the resolution of legal disputes. That is why the Law of Ukraine "On mediation" ensures proper regulation of the procedures of mediation and obligating of admitted by its result decisions can be precondition for using of the introduction of mechanism of alternative dispute resolution.

The technology of the mediation process is that the mediator makes effort to ensure that the position, wishes, interests and needs of the parties were initially "set out on the mediation table", then it must be heard and understood by everyone. The arguments have to work out, and, finally, a general solution will be - a way out of a conflict situation, which suits for all parties [4]. Although, it should be noted, that the mediation as a way of resolving civil disputes should not be confused with ways of protecting civil rights and interests, that consist in the 16-th article of the Civil procedure Code of Ukraine. The institute of mediation beyond criminal justice: a structured process in which 2 or more parties to a dispute attempt by themselves, on a voluntary basis, to reach an agreement on the settlement of their dispute with the assistance of a mediator [5].

Also, there is another definition of the mediation - means a process, irrespective of the expression used or the basis upon which the process is carried out, whereby parties attempt to reach an amicable settlement of their dispute with the assistance of a third person or persons ("the mediator") lacking the authority to impose a solution upon the parties to the dispute. It consists in the UNCITRAL Model Law on International Commercial Mediation and International Settlement Agreements Resulting from Mediation, 2018 (amending the UNCITRAL Model Law on International Commercial Conciliation, 2002) [6].

Mediation is a method of out-of-court dispute resolution involving a mediator (mediator) that helps the parties to a civil legal dispute to analyze the conflict situation in such a way that the latter can independently choose the variant of a solution that will meet their legitimate interests and satisfy their claimed or violated needs [1]. The author notices, that mediation is an informal, voluntary procedure by its nature, but it demonstrates great results in conflict resolution. Mediation is an almost universal means of resolving conflicts that applies in many areas, ranging from family disputes to conflict with community involvement and international conflicts as international experience shows [1].

There are several examples to illustrate the mediation benefits: 95% of cases that have passed the mediation procedure the trial, then they did not come to trial; 90% of mediation procedures complete by a settlement in Germany (97% in Lower Saxony); 95 % in Great Britain; 40,80 % is the indicator of effectiveness in pan-European countries at all. Naturally, we can see such an indicator, because mediation has numerous advantages in contrast with judicial proceeding and other means of resolving civil legal disputes. The main characteristic of mediation is simplicity, lack of formalism, flexibility, and most importantly, saving time and money, that fundamentally distinguishes it from the confrontational nature of the procedures like as judicial [1].



In fact, the services of mediators actively use in resolving civil disputes in Switzerland, Canada, The Benelux Union. Moreover, the legal rules on extrajudicial settlement of disputes are fixed at the legislative level in Great Britain, Austria, Belgium, Poland, Norway and Finland [7, p. 4]. Ways of alternative disputes resolution in resolving civil conflicts in the United States of America are used from the 60s of the twentieth century. The basis of the formation of this method of alternative dispute resolution were the methods used by Quaker conflicts (like as «Jewish Conciliation Board») and Jewish communities to intervene in various types: - disputes about inheritance, property or family law - which, in turn, originated from the Hebrew traditions. In 1982 there were already more than 300 people and organizations involved in mediation in settling family conflicts in USA [8].

Ukraine has its own experience of using mediation, and it confirmed the effectiveness of this institution in resolving legal conflicts. Since 2003 there have been carrying out experiments in the courts of such cities: Kiev, Kharkiv, Ivano-Frankivsk, the Autonomous Republic of Crimea and others. During the period of implementation of such a project 83 cases were handed over to mediation, 50 of which mediation took place. But, only in 36 cases mediation was successful [9, p. 3].

A number of regional mediation groups operate on the territory of Ukraine, united into the Association of Mediation Groups of Ukraine and the Ukrainian Center for Understanding [10, p. 89]. T. Tsvina says that in terms of integration and communication with the civil process, the main is the distribution of mediation to the court-related mediation (judicial) and pre-trial. Court-related mediation is one of the types of mediation that is carried out after applying to a court and integrated into civil proceedings. Such agreements are similar to mediation agreements on the results of external mediation can be subject to rules of civil contract [11, p. 196, 197].

A significant difference in judicial mediation from others is that the legal relationship between the parties outside the judicial mediation is enshrined in the contract while in judicial legal relations, the process is taking legal forms [12, p. 164]. It is possible to distinguish such models during judicial mediation: involvement of specialized organizations or private practitioners mediating for mediation («private mediation in the litigation process»); mediation in court by court employees, more often judges (a conditional form of «mediation» is the mediation, included in the lawsuit); conduct mediation directly by the judge who is considering the case (integration of mediation technology into the litigation) [13]. Even though the institution of mediation has started in Ukraine, but it is still difficult to name it normatively agreed and effective, because there are no professional mediators and proper regulation of their legal status. O. Borisova tells, that except for the parties to the dispute to participate in conciliation procedures, we need to have specialists - professional mediators for the creation of an effective system of alternative ways of resolving disputes [14, p. 18].

Judges are primarily lawyers, but mediation involves work not only with the right but also with the emotions, feelings and will of the individual. This is due exclusively to specialists with the simultaneous combination of legal and psychological knowledge, specifically, for legal psychologists. We support the position that scientific skeptical about professional lawyers as mediators. Whereas it is believed that the lawyer is endowed with the ability, habit and even ambitions for operational analysis and solving complicated problems and therefore it tends to limit the autonomy of the parties to formulate ways to resolve the conflict and get involved in negotiations with their own proposals [15].

A mediator is a specialist who has received special mediation skills, after specialized training. So, current legislation of Ukraine does not impose any additional requirements to the judge-mediator. Therefore, it is unclear how the judge should ensure the effectiveness of the dispute settlement procedure with the participation of a judge. This problem can be resolved by training judges after receiving special training on procedures of alternative dispute resolution, including mediation [16].

Consequently, we can notice, that significant innovations are fixed by the Law of Ukraine "About Amendments to the Commercial procedure code of Ukraine, Civil Procedural Code of Ukraine, the Code of Administrative Procedure of Ukraine and other legislative acts" [17] in part of the settlement of an alternative dispute resolution involving a judge, it is more likely to recall a judicial mediation, which some scholars call «mediated quasi-interaction» [18] and consider a functional combination eliminates the essence pledged institute judicial mediation, because judges will still look at the dispute from the standpoint of evidence and law and, to a certain extent, formally approach the dispute. Naturally, that judge-mediator is primarily a judge and then a mediator [18].

All in all, we agree with the scientific position of some scholars and we believe that the procedure for settling a dispute with the participation of a judge is by its nature not a mediation [19, p. 95]. It is more appropriate to consider the institution of dispute settlement with the participation of a judge as a new in Ukrainian practice a hybrid reconciliation procedure that is not a mediation, as L. Romanadze write [20].

There are some differences solving the dispute by involve a judge from the mediation, in the classical sense of it: 1) a judge is not a mediator but he holds only a full-time judicial position in one of the courts of Ukraine and carries out professional justice. Judge has a legal status, that clearly defined in the Constitution of Ukraine. In contrast to judge status, the mediator status is currently not regulated by law and exists only in draft Law «About Mediation»; 2) parties chooses the mediator, when using the mediation procedure to resolve the dispute. Meanwhile, the procedure for settling a dispute with the participation of a judge does not provide for such a possibility for the parties; 3) the mediator can not affect the agreement of the parties, but judge has the right to refuse to approve the settlement [21, p. 160].

Under the circumstances hardly judge may look arbiter of justice. Moreover, judge has the right to offer the parties a possible way of reconciliation by entering into a settlement and indicate the options for solving the dispute (203 article of Civil procedure code of Ukraine). Dispute settlement procedures involving a judge in the civil process can not be identified with the aforementioned alternative ways of resolving disputes and reconciliation of the parties, proceeding from the essence and purpose of mediation [19, p. 96]. Moreover, this alternative dispute resolution method is most suitable for resolving conflicts that do not have a legal dispute, but the situation has reached a stage where the normal communication between the subjects of the dispute is much more complicated. Mostly it concerns family and "neighborhood" conflicts, when the proportion of psychological factors that interfere with the resolution of a conflict situation is far superior to the legal. Solving this category of cases in court often does not resolve the conflict, and like also the judge must not and can not go beyond the limits of the legal dispute resolution [4].

As a result, specialists have some doubts: Will this institute settle in Ukraine? Will the judge effectively act as a mediator? By the way, this is quite true, because judge guides in its activities by the Constitution and laws of Ukraine, which does not give him an opportunity to resolve legal disputes with the interests, but not the rules of law [21, p. 160]. On the one hand, judicial mediation procedure can help resolve disputes and significantly save time and money of the parties to proceedings. But on the other hand, it can also be used for procedural sabotage and abuse. The legislator needs to introduce into the procedural legislation a series of changes aimed at eliminating the revealed defects of judicial mediation and its greater efficiency [16].

## **2. The mediation in the commercial procedure of Ukraine**

The expediency of introducing a procedure for mediation (reconciliation) in economic proceedings evidence: recommendations of the Committee of Ministers of the Council of Europe "About Mediation in Civil Matters" and "About Family Mediation" and the "Green" Paper on Alternative Settlement of Disputes in Civil and Commercial Law of the Commission of the European Communities, UNCITRAL Model Law on «International commercial Conciliation with Guide to Enactment and Use» (2002) and etc. Today's ukrainian legislation contains rules for alternative dispute resolution.

«The parties take measures for pre-trial settlement of the dispute by agreement between themselves or in cases where the measures are binding in accordance with the law», that rule regulating specific type of commercial relations and contains in article 19 of Commercial procedure code of Ukraine. Moreover, there are the 4-th chapter named "Solve a dispute involving a judge" and the 5-th chapter named "Refusal of the plaintiff from the claim. The settlement" that includes conditions and procedure of settlement. These chapters are a part of Commercial procedure code of Ukraine.

These mediation procedures follow the principle of competition between the parties, that secured by the 13-th article of Commercial procedure code of Ukraine. This article says “the court, maintaining objectivity and impartiality, helps to resolve the dispute by reaching an agreement between the parties”. Any of the parties to the conflict may submit an appropriate petition for the mediation settlement of the dispute on its own, without waiting for the initiative from the court, and the court must satisfy the petition with the consent of the other party (parties), and it is important.

Commercial procedure code of Ukraine provides four grounds for terminating the dispute settlement procedure with the participation of a judge (article 189): 1) in case of submission by the party of a statement on the termination of the solving a dispute with the participation of a judge; 2) in case of expiration of the dispute settlement with the participation of a judge; 3) on the initiative of a judge in case of delaying the settlement of a dispute by any of the parties; 4) in the case of conclusion of the agreement by the parties and appeal to the court with a statement on its approval or petition of the plaintiff in court with a statement on the abandonment of the claim without consideration, or in the event of the applicant refusing the claim or the recognition of the claim by the defendant.

It is worth recalling that the procedure for settling a dispute (mediation) with the participation of a judge is made by a decision, which the court simultaneously suspends the proceedings. The current Commercial procedure code of Ukraine determines clear terms for conducting a settlement of a dispute, in particular, the dispute must be resolved not later than 30 days from the date of the decision to start its settlement.

The settlement of the same dispute with the participation of a judge is conducted by the judge-speaker alone, regardless of the composition of the case being considered in the economic court. The reconciliation format of the settlement involves holding joint meetings of the judge with the parties to the dispute (conflict). Such meetings shall be held with the participation of all parties, their representatives and the judge. Judge's initiative, so-called closed meetings may be held with each party to the commercial dispute separately. At the beginning of the first joint dispute settlement meeting, the judge shall explain to the parties the purpose, the procedure for settling the dispute with the participation of the judge, the rights and obligations of the parties.

During general the judge finds out the grounds and subject of the claim, the grounds for objections, clarifies to the parties the subject of evidence regarding the category of the dispute being considered, invites the parties to submit proposals on ways of peaceful settlement of the dispute, draws the attention of the parties to judicial practice in similar disputes, certain explanations of the Supreme The Court, the European Court of Human Rights, and also suggests possible ways of peaceful settlement of the dispute and other actions aimed at peaceful settlement of the parties to the conflict. Commercial procedure code of Ukraine prohibits judges from providing legal advice and recommendations to parties and evaluating the evidence presented in the course of a dispute resolution.

According to G. Garo, the practice of reconciling procedures in the process of resolving economic disputes shows their rather progressive character, which is reflected by such advantages as: operational efficiency during the resolution of economic conflicts, which promotes economic activity, stabilization of economic relations, improvement of the results of economic activity; the expansion of the possibilities for realization of the right to extra-judicial protection and access of business entities to new ways of solving common issues; limiting the monopoly of state courts and, to a certain extent, reducing the pressure of corruption on business entities; democracy of the process of consideration of common issues - the choice of an intermediary with the consent of the parties, the influence on the formation of rules for the consideration of disputes [22].

According to the author, the use of mediation is most relevant in the process of resolving disputes that arise within the framework of long-term economic agreements (contracts) when there are questions of a technical nature, uncertainty regarding the interpretation of the provisions of the treaty, and the subject of the dispute is only an apparent cause of the conflict [22].

There are some positive new novelty in part of the mediation procedures: the obligation of the parties to take measures for pre-trial settlement of the dispute by agreement with each other, and in cases where such measures are mandatory, when resolving the issue of the distribution of court costs, the court shall take into account the actions of the party in relation to the pre-trial settlement of the dispute and the settlement of the dispute peaceful by way of consideration of the case, the stage of consideration of the case in which such actions were committed in Commercial procedure code of Ukraine and Civil procedure code of Ukraine.

An additional incentive for settling a dispute is a provision which stipulates that in the case of a settlement agreement before the decision in the court of first instance, the refusal of the plaintiff from the claim, the recognition of the claim by the defendant before the beginning of the consideration of the merits, the court in a respective decision or decision in accordance with the procedure established the law resolves the issue of returning the plaintiff from the state budget to 50% of the court fee paid upon filing a lawsuit [21, p. 158, 159].

Specifying the analysis of the rules of pre-trial settlement of disputes drawn up in the Commercial procedure code of Ukraine (article 188), one can immediately see the internal contradictory nature of the situation, as it turns out that on the one hand, at the beginning of the first joint meeting on settlement of the dispute, the judge clarifies the parties the purpose, the procedure for settling the dispute with the participation of a judge, the rights and obligations of the parties, may offer the parties a possible way of peaceful settlement of the dispute, on the other hand, during the settlement of the dispute the judge has no right to provide the parties legal advice and recommendations, to provide an assessment of the evidence in the case [21, p. 184].

As O. Kibenko says, it is almost impossible to distinguish - where illegal advice and where - legal clarifications of the judge. It is also unclear how to detect a violation of the prohibition of counseling if it is forbidden to fix during meetings. And what the responsibility should be for such judge's unlawful consultations? [23].

Moreover, during closed meetings, the judge has the right to draw the parties' attention to court practice in similar disputes, to offer the party possible ways of peaceful settlement of the dispute, which in general practically does not differ from the consultations. D. Konovalenko believes, that the procedural uncertainty of the judge's actions at this stage may create conditions for bringing the judge to disciplinary responsibility for exceeding his powers in resolving the dispute [18]. By the same factors that prevent the spread of mediation as a method of resolving commercial disputes, some scholars rightly belongs [24, p. 191]: (a) lack of knowledge of the business entities that are parties to the dispute about the possibility of resolving the dispute without the participation of the court; (b) the lack of confidence among the parties in the effectiveness of the mediation procedure; (c) the lack of legislative regulation of private law and private-procedural mediation issues, and public-law assessment of the application of conciliation procedures and of the public-law consequences of agreements reached as a result of reconciliation. In particular, Commercial procedure code of Ukraine does not provide for the possibility of suspending a court proceeding by a joint application of the parties for mediation or reconciliation in another way. proceedings shall be suspended only in the event of a dispute settlement with the participation of a judge, which is possible only before the beginning of the consideration of the case on the merits as legally fixed.

But, in Civil procedure code of Ukraine the possibility of suspending proceedings for the parties to the marriage annulment decision for conciliation determine. There are no other procedural possibilities for official reception of time for reconciliation of the parties. It is in no way consistent with the provisions that the court "facilitates the settlement of a dispute by reaching an agreement between the parties" and that "during the consideration of the case in substance, the court facilitates conciliation of the parties". How is it facilitate, if the court can not even stop proceedings to provide the parties with sufficient time for conciliation procedures? [20]. Mediation considers solely as a service, instead it would be more logical to consider mediation as a service and as a help according to L. Romanadze. After all, if mediation remains exclusively a service, then there will be a question about the possibility of civil servants carrying out this procedure. Mediation, according to the author, is considered exclusively as a pre-trial procedure for resolving a dispute, while the more correct is the term "extrajudicial", since it is possible to conduct it at any stage of the trial [20]. To conclude, the legal uncertainty of the powers of the judge in the process of settling the dispute will restrain the development of this institution [21, p. 184]. And so, to prevent abuse, it would be possible to use the experience of other countries and to provide that, in the event that the parties wish to resort to the dispute settlement procedure, they select from the list of accredit mediator judges, and if the procedure turns out to be unsuccessful, then the case consider by that judge or the composition of the court, which originally assign in accordance with the distribution as Kibenko says.[23].

We can see, that depends on the desire and skills of a judge who will act as a mediator, and therefore it would be advisable to have the latter specially prepared for the settlement of the dispute [22], and respectively, and to effectively negotiate with the parties to the dispute. I. Berezhna thinks, that conducting negotiations for the purpose of out-of-court settlement of disputes and reconciliation is a technically complex matter requiring specialist training. In practice, even the most experienced in conducting negotiations lawyer can not always find a solution in direct negotiations. Therefore, qualification selection of mediators, their separate professional training, the author observes the author, must become a guarantee of prevention of fraud in this area and as a result - legal decisions in cases [25].

However, there is lack of experts in implementing mediation procedures in Ukraine. And this is obviously, because the academic programs for law students traditionally focus on the study of rules of litigation and do not include courses on negotiation, mediation, arbitration and other alternative dispute resolution measures. Only in some institutions of higher education, there is a course on the study of certain types of alternative ways of resolving disputes, lack of textbooks, manuals and teaching materials as Ya. Lyubchenko says. The author thinks, that it is actually to introduce in the educational process new courses that would familiarize students with new types of alternative dispute resolution, peculiarities of their application in resolving disputes in various spheres of social relations. It can be course of modeling disputes in arbitration and international courts, which are demand now on the market of legal services and in the activities of the Ministry of Justice of Ukraine [21, p. 198].

### **Conclusions.**

In conclusion, mediation is one of the most innovative and effective modern concepts of the civil procedure in Ukraine, so its successful implementation with the use of international experience will be able to provide a significant reduction in the procedural burden of the judiciary, and accelerate the consideration of civil disputes and promote the satisfaction of the true interests of the parties to the conflict.

Mediation enables to successfully solve various conflicts that arise in all spheres of public life as international experience shows: private-law disputes regarding the division of property, parental care over children in divorce, reconciliation of relations between neighbors, questions of law of succession, resolving disputes, that arising between individuals and legal entities, related labor relations, and others.

Therefore, the mediation has a strong potential and it is able to solve the problems facing the legal system of Ukraine, in particular: unload the judicial system and improve the legal protection of citizens. In other words, the use of the mediation will greatly promote the democratization of society and the establishment of the rule of law [1]. Step by step, mediation should be included in the main state programs on reforming the state judicial system. Legal or scientific elite can not stay behind in this process [25].

By the way, using alternative dispute resolution methods can reduce social tension, and take into account the interests of the parties as much as possible, which, in addition to resolving the conflict, ensures and reduces the existing dispute, allowing the parties to maintain or restore normal business or personal relationships and avoid the resumption of a dispute on the same issue in the [26, p. 34].

On the whole, mediation can provide cost-effective and quick out-of-court solve of civil and commercial disputes based on processes that take into account the needs of the parties. There is a greater likelihood that agreements reached as a result of mediation will be voluntarily followed, and friendly and stable relations will be maintained between the parties. The adoption of the law on mediation would be a confirmation of Ukraine's aspiration to integrate into the EU. And, it will indicate recognition of the Directive 2008/52/EC [5].

Some questions about the formulating of the people's list who cannot have the status of a mediator also arises. There is an exhaustive list of persons who cannot be mediators, such as: a person recognized by court incapable or partially capable; a person who has not been canceled or withdrawn in accordance with the law conviction; person released from a judge, prosecutor, investigator, the public service or from the service in local government for violation of oath, commission of corruption offenses; a person who is in the civil service; person, which was excluded from the register of mediators (ch. 2, Article 16 of the Law of Ukraine "On mediation" (2016)). Why there are no such requirements to a lawyer who serves as a protection of a party and can make the appropriate (legal, psychological) effects on neurotransmitter? We believe that the advocate cannot be a mediator, and therefore must be the prohibition of including such the person in the registry of mediators Ukraine, because it gives the latter the right to have two status (for separate remuneration for rendered Services) and the ability to manipulate the parties in dispute it is advantageous in the plane (rewarded on both sides of the dispute). The legislator made a crafty but unsuccessful course, written out in Part 3 of Art. 7 ("Independence mediator") of the draft Law of Ukraine "On mediation" (2016) such a meaningful condition: An advocate, representative and / or legal counsel for the mediation cannot act as the mediator. A person cannot be an advocate or a representative party mediation in the case (proceedings) in which it has provided or provides services to a mediator. "An advocate may not be a neutral arbitrator – mediator, because instinctively he will support the position of the particular party. On the legal position it generally distorts the jurisdictional process and makes it possible to monopolize the market of the legal profession of mediators in Ukraine.

Also surprising the definition in p.1 art.17 ("Special training of mediators"), the Law of Ukraine "On mediation" (2016), as legislator allows for any associations and organizations to educate the mediators and to issue the relevant certificate. We believe that such education can only make universities of Ukraine for any form of property that train specialists in law and psychology (in one university both of specialties: psychology and law). Why so?



The answer is very simple: the staff of universities is full of highly qualified professionals. That is why the universities should be allowed to accredit such special educational programs of mediation. It seems that these universities should recommend mediators in the register of mediators of Ukraine. The demand for this need to be the graduating from the universities, specialized courses or other forms of educating at the department of "mediator in the jurisdictional activity" in the respective institution of higher education in Ukraine.

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# **SOCIAL AND LEGAL ASPECTS OF THE DEVELOPMENT OF CIVIL SOCIETY INSTITUTIONS**

Collective monograph

## **Part I**

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